

## NOTES ON THE PROPOSED AD VALOREM TAX LEVY

Good Evening Councilmembers, Mayor, and Members of the Public.

This evening, I'm going to introduce you to the proposed Ad Valorem Tax Levy for 2022.

The Ad Valorem Tax Levy is limited by the State Legislature as the higher of the Implicit Price Deflator, or IPD, (which is similar to the Consumer Price Index) or 1%. This year, the IPD was 3.860%. Therefore, our statutory increase will be limited to a 1% increase over last year. The steps used to compute the City's share of Ad Valorem taxes are:

1. Determine the "regular" property tax limit.

- a. Highest Lawful Levy: \$283,008
- b. Times 101%: \$285,838 (1% increase over last year total assessed value)
- c. Compute the value of the new construction:
  - i. Assessed value of new construction: \$12,572,100
  - ii. Times the 2021 rate: \$22,510
  - iii. Amount for new construction: \$568
  - iii. Total Regular Levy:  $\$285,838 + 22510 + 568 = \$308,916$

2. Determine the Highest Lawful Levy. Washington State Law allows local jurisdictions to levy a maximum of \$3.60 per \$1000.00 of assessed value. "Local jurisdictions" include Cities, Fire Districts, and Library Districts. The City, as the "senior" taxing authority, must reduce the amount of its levy in proportion to the amount assessed by the "junior" taxing authorities (Fire District #12 and the Timberland Regional Library District.)

- a. Maximum levy allowed by statute: \$3.60
- b. Fire District levy: \$1.36 (estimate)
- c. Library District levy: \$0.32 (estimate)
- d. Highest Lawful Levy:  $\$3.60 - \$1.19 - \$0.32 = \$2.09$  (estimate)
- e. Total 2020 assessed value: \$2,511,200
- f. Statutory rate limit: \$2.09
- g. Statutory maximum: 364,882

5. Determine actual levy:

- a. Regular levy limit: \$285,838
- b. Highest Lawful Levy: **\$308,916**

**This year's regular levy amount would represent an increase of \$13,805, which is wholly inadequate to our needs. By exercising the banked capacity option, an increase of \$36,884 becomes possible (although the amount may ultimately changed due to the final determination of State Assessed Values within the City limits and the final levy rates by both District #12 and Timberland Regional Library).**