



# Coalition to update the outdated property tax cap

A broad coalition of leaders has come together to ask the Legislature to take this long overdue action in 2024 to revise the arbitrary 1% property tax cap that has been in place for more than a generation.

**We ask for an update to the cap tying it to inflation and population growth factors with a new cap not to exceed 3%.**

**3% inflation** The historical average CPI for the last decade, even with 2022 record high inflation.

This modest, sensible change allows local elected officials to adjust the local property tax rate to better serve our communities and keep up with the costs of providing basic services like police, fire, streets, and valued community amenities like parks.

The current 1% cap has created a structural deficit in local government budgets, causing many to struggle with funding critical community needs. The current cap reduces the ability to respond to new and emerging issues and diminishes their capacity to serve our state's growing population. For comparison, the Consumer Price Index (CPI) has averaged around 3% the last decade.

*Between 2010 and 2021 Washington's population grew by 15%*

## The cap makes it difficult to sustain vital local services like:

- Police
- Fire and emergency response
- Public health program
- Local libraries
- Emergency shelter services
- Parks and recreation
- Criminal justice services like courts and jails
- Local streets and transportation infrastructure

Without a change, local government can't sustain these and other services to keep up with our residents' needs. For a generation, local governments have managed to band-aid over this structural deficit while being called on to do more with less—but we are at the tipping point.

### **Myth-busting the alternatives to revising the cap**

While local governments are sometimes asked to instead use levy lid lifts or other revenue sources to address local budget impacts, levy lid lifts only last up to six years, which doesn't address ongoing needs very well. You can't hire a police officer or a firefighter for only six years. Plus, other revenue sources like sales tax or utility tax are not available to all local governments and can be volatile depending on the economy. Some communities lack the retail base large enough to generate sufficient sales tax revenue to support these services. These revenue sources are also generally more regressive, hitting our low-income residents the hardest. Property taxes are less regressive with higher value properties paying their fair share and there are existing programs to help low-income and senior households with their property tax burden. Finally, elections can be costly for local governments and campaign restrictions create limitations on communications with voters about ballot measures.

### **Updating the cap in 2024**

Allowing local elected officials the ability to raise their property tax revenue collections up to 3% per year puts the power back into our communities. Local elected officials have a high rate of trust from their constituents, and they are immediately accountable to the voters.

Legislative action in 2024 isn't an automatic tax increase. Instead, it allows for thoughtful local debate and discussion about what will work best for each community. This request is consistent with the recommendation of the State Tax Structure Workgroup adopted in 2022.

Now is the time for this change, we can't wait another 20 years and place this burden on the next generation.

### **The history of the 1% cap**

Prior to 2001, local governments could increase their property tax revenue collections up to 6% per year, which was a limit adopted in 1973. The courts originally found the 2001 initiative that created the 1% cap unconstitutional, but the Legislature reacted with a one-day special session to reenact the cap. It was reported that the 1% cap was chosen arbitrarily by initiative drafters with the goal of restricting government budgets.