

Ratio Study Information Sheet

Your property may be randomly selected to be used in the equalization process for the calculation of the state school levy. It is our hope that this information will answer many of your questions and concerns about this process.

What is the State School levy?

Property tax is a primary funding source for Washington's public schools. There are two types of property taxes that are levied to support the state school system.

- *Special levies* are approved by the voters of, and are specific to, individual school districts. These levies are not administered by the state. The funds are channeled directly into the local schools.
- The *state school levy* is paid by all taxable property owners. The funds collected from this levy are deposited in the state's general fund. This fund is then distributed to school districts throughout the state based on a set formula. The actual tax due for any particular parcel is measured as a specific dollar amount per each \$1,000 of assessed value. Assessed value should reflect current market value.

" . . . In each year the state shall levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue." RCW 84.52.065

What is "The Ratio Study"?

The Department of Revenue is responsible for ensuring that the state school levy is applied fairly throughout the state. Owners of property with the same market value should pay the same amount of tax, no matter where the property is located. However, if County A values property at 100 percent of market value, and County B values property at 80 percent of market value, County B will have assessed values that do not reflect current market value. So property owners in County A would pay higher taxes than owners of similar properties in County B.

To provide uniform taxation statewide, the Department of Revenue implements an annual study of property in each of the state's 39 counties. This study measures how closely a particular county's assessed values compare to market values. When the overall assessed values are different from market value (the ratio of assessed value to market value), the levy rate is adjusted or *equalized*.

Ratio Study Information Sheet

(Continued)

EXAMPLE:

Mr. Smith owns property in County A, while Ms. Jones owns property in County B. The property is similar in every way except that it is located in different counties of the state.

County A assessed Mr. Smith’s property at \$100,000. County B assessed Ms. Jones’ property at \$80,000. The estimated market value of the property in each of the counties is \$100,000. The maximum state property tax rate is set by law at \$3.60 per \$1,000 of assessed value (prior to equalization). If this *unequalized* rate were applied to the properties of both Mr. Smith and Ms. Jones, this is how their school tax levy would be assessed.

NAME	ESTIMATED MARKET VALUE	ASSESSED VALUE		STATUTORY RATE		TAX DUE
SMITH	\$100,000	\$100,000	X	.00360*	=	\$360.00
JONES	\$100,000	\$80,000	X	.00360*	=	\$288.00

So while Mr. Smith is paying his fair share, Ms. Jones is paying less than hers. The Department of Revenue applies the county’s indicated overall ratio to the statutory levy rate to arrive at an equalized rate for properties in each county. **Note:** (The indicated ratio is determined on a countywide basis, not on individual properties. In this example individual properties were used for clarity.) This is shown below:

NAME	ASSESSED VALUE		ESTIMATED MARKET VALUE		EQUALIZING RATIO	EQUALIZED RATE		ASSESSED VALUE	TAX DUE
SMITH	\$100,000	÷	\$100,000	=	100%	\$3.60 ÷ 100% = \$3.60 OR .00360*	X	\$100,000	\$360
JONES	\$80,000	÷	\$100,000	=	80%	\$3.60 ÷ 80% = \$4.50 OR .00450*	X	\$80,000	\$360

By dividing the estimated market value into the assessed value, an equalizing ratio is determined for both Mr. Smith and Ms. Jones. This equalizing ratio divided into the statutory rate results in an equalized rate*. The equalized rate is then multiplied by the assessed value, and tax equity is achieved for both Mr. Smith and Ms. Jones.

* **Note:** Equalized rates are expressed in decimals instead of dollars per thousand of assessed value.

In each county, the ratio study reviews property assessments, comparing assessed value to market value. Properties are randomly selected by the Department of Revenue which uses the values to determine the ratio for each county.

This is where your property could be randomly selected for audit in this process.