

Property Taxes and Levy Capacity

City Budget Office

Office of City Finance

City Council Central Staff

SEATTLE
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Agenda

- City Property Tax Mechanics
 - Current composition of the City's Regular Levy
 - How It's Calculated
- Remaining Capacity of the City's Regular Levy
 - Assumptions
 - Capacity Limits



City Property Tax Levy Mechanics

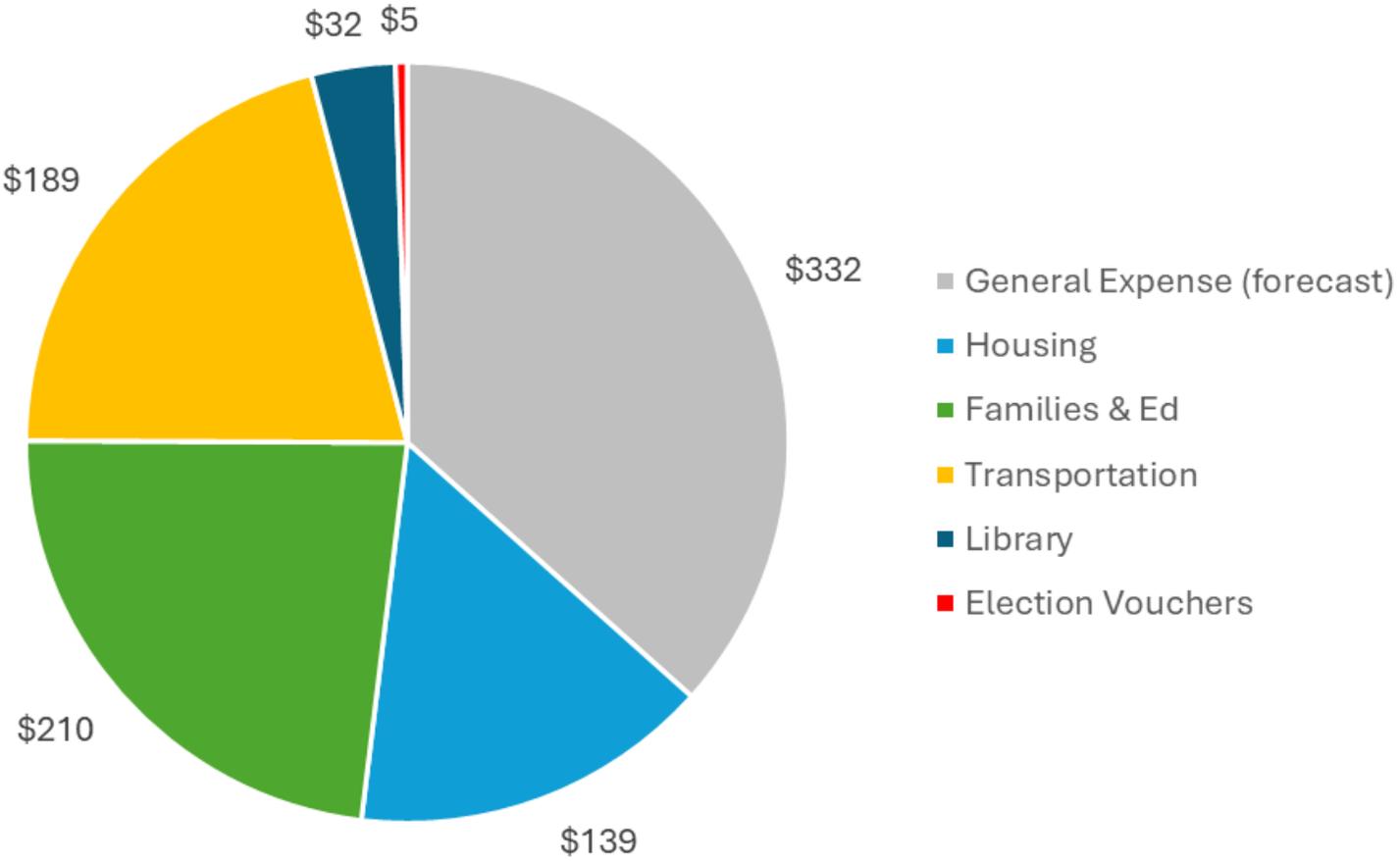
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City's Regular Levy - 2026 Collections (\$millions)



City's Regular Levy = General Expense + Lid Lifts

- **The General Expense Levy**
 - Non-voted
 - Annual growth is capped at 1% plus new construction per state law
- **“Lid Lift” Levies**
 - Make up the rest of the City's regular levy and allow the City to exceed the 1% growth cap
 - Current City lid lifts: Housing, Families & Education, Transportation, Election Vouchers, Libraries
- **There's a Limit:** The City's Regular Levy is capped at \$3.60 per \$1,000 of assessed value (AV) per state law
 - Our 2026 tax rate is \$3.02
- Voter-approved levies not counted as part of the City's regular levy:
 - UTGO Bond (Alaskan Seawall)
 - Seattle Metro Park District (SMPD)



Voter-Approved Levies (the Law)

- Require a simple majority of voters to pass.
- Can be used for any purpose(s), including operating and capital expenses.
- Annual amounts raised by a voter-approved levy can inflate by more than 1% from year to year, but only if the overall term of the levy is restricted to 6 years and those increases are specified in advance. The City has generally employed levies of longer terms that raise essentially the same amount per year.
- Duration can be any number of years (although limited to 6 years if levy amount is to change over the course of the levy). Recent City levies have ranged from 6 to 10 years.
- **The limit on the City's regular levy (general expense + lid lifts) is \$3.60 per \$1,000 of assessed value (AV).**



How to Calculate the Tax Rate (the Math)

- The total collection amount is pre-determined and then the tax rate is calculated using the collection amount and assessed value (AV).

$$\text{Tax rate} = \frac{\text{collection amount} * 1,000}{\text{assessed value}}$$

Max tax rate = \$3.60

Current tax rate ~ \$3.02

- AV is determined annually by the County Assessor
 - Growth in AV has the effect of decreasing the tax rate and increasing levy capacity; but it does *not* impact the collection amount.
 - Likewise, a sudden *drop* in AV does not directly impact collection amounts, but will cause the tax rate to suddenly increase, thus decreasing room under the limit or even potentially causing the City to surpass the limit.
 - For this reason, leaving a capacity reserve or “buffer” to guard against declines in AV is important.



Property Tax Levy Capacity

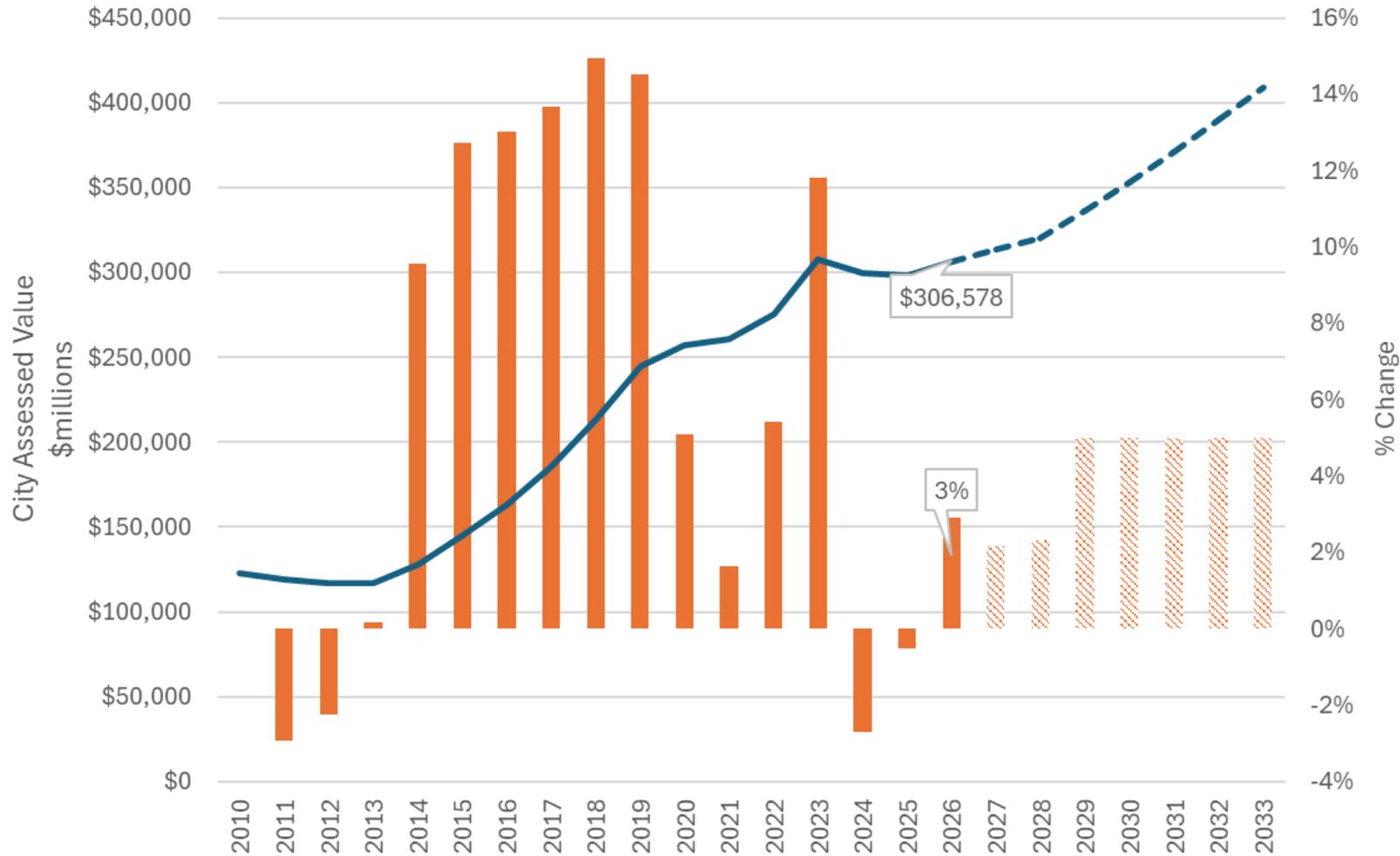
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Total City Assessed Value (AV) - Historical and Forecast



*Forecasted amounts are based on the October 2025 forecast and may be revised in April 2026.

- Declines in AV have the effect of increasing the tax rate, leading to the risk that the City exceed its \$3.60 limit.
- To mitigate this risk, CBO and CCS recommend adding a 10% capacity reserve - essentially operating under a limit lower than \$3.60 in case AV drops.

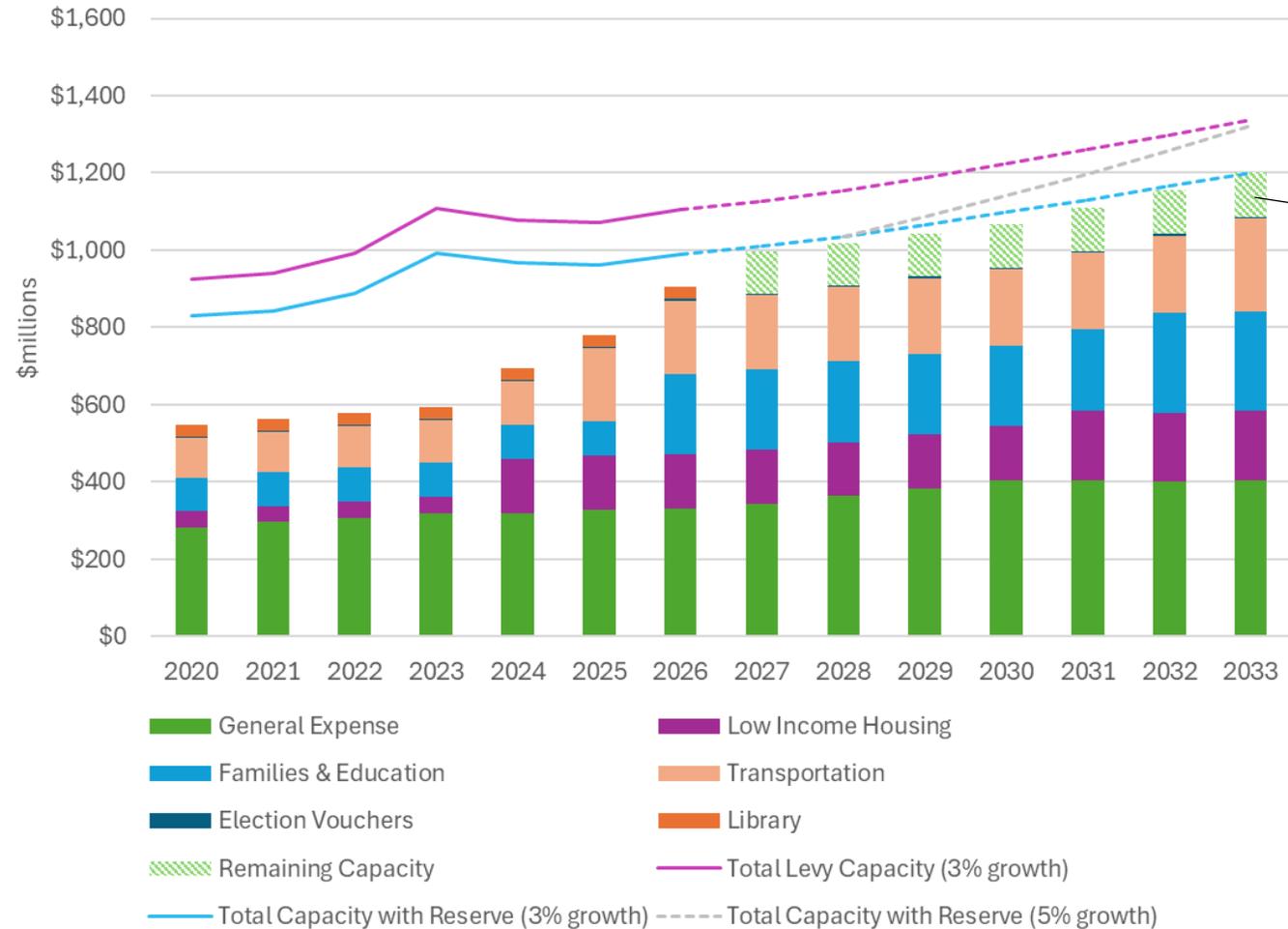


Property Tax Capacity Limits

- The City has remaining levy capacity of approx. \$780 million over the next 7 years (or about \$111 million per year) under assumptions of:
 - 3% outyear AV growth starting in 2029 – more conservative than current official forecast;
 - Existing levies (only) keep up with inflation next renewal cycle (e.g., do not inflate for population growth);
 - A capacity “reserve” of 10%
- This remaining capacity would need to cover any renewal of the Library Levy, which expires at the end of 2026.
- For example, if the Library Levy renewed at \$500 million, there would be \$280 million of capacity remaining for other needs.



City's Levy Capacity - Projection



Remaining capacity of around \$780 million over 7 years. Some of this will need to be used to renew the Library levy.



Current City Property Tax Levies

Levy Name	Annual Amount: 2026 (\$mil.)	Total (\$mil.)	Duration (years)	Next renewal
General Expense	\$332	N/A	N/A	N/A
Families & Education	\$210	\$1,258	6	2031
Transportation	\$189	\$1,549	8	2032
Low Income Housing	\$139	\$970	7	2030
Library	\$32	\$219	7	2026
Election Vouchers	\$4.5	\$45	10	2035
TOTAL	\$905			
Remaining City Levy Capacity*	\$109 Starting in 2027	\$780	7	

This table includes property tax levies under the City's authority. It does not include levies authorized by the County, schools or special districts.

*Remaining City Levy Capacity is an estimate only and will need to be refined as official proposals take shape and future Assessed Value totals are known. The estimate shown is for a 7-year window, 2027-2033, using the assumptions previously shown. The annual value shown in the "2026" column would be collected starting in 2027. Any renewal of the Library Levy would need to come from this remaining capacity amount.



Questions & Discussion

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