

# M E M O



Date: October 4, 2010

To: Chair J.J. McCament and Members of the Board of Trustees

From: Clifford Jo, Director of Finance & IT

Subject: 2010 Implicit Price Deflator (IPD) for 2010 property tax levy

For July 2009 to July 2010, the IPD was reported as 1.539%. The IPD is used for calculating tax levies under Initiative 747. Anything less than 1% means the Board of Trustees must approve property taxes to be levied at the statutory limit of 1%. Anything 1% and higher means the library may tax the full levy rate of 1%.

Because this year's IPD is higher than 1%, no Board action is required. In any case, because the Library has hit its statutory limit of 50 cents per \$1,000 assessed value in the taxing district, neither the 1% increase nor the IPD is an issue.

Attached is MRSC's statement on the Implicit Price Deflator.



**Municipal Research and Services Center of Washington**

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## **Implicit Price Deflator**

- [Table of Implicit Price Deflator for Personal Consumption Expenditures](#)
- [Table of Historical Increases in the July Implicit Price Deflator for Personal Consumption Expenditures](#)

Posted: September 20, 2010

### **The Change in the Implicit Price Deflator (IPD) from July 2009 to July 2010 Is 1.539 percent**

This means, for most jurisdictions, that the maximum allowable levy increase for 2011 is 1 percent of the 2010 levy (plus taxes on new construction and the change in the value of state-assessed utility property).

The July implicit price deflator for personal consumption expenditures has been published by the Department of Commerce in the [September issue of the Survey of Current Business](#) (📎 118kb). It is 111.012. This represents a 1.539 percent increase over the revised July 2010 index number of 109.329.

Here is the math. Divide the July 2010 index (111.012) by the July 2009 index (109.329). Subtract 1 and multiply by 100. The result is 1.539 percent. This number will not be official, however, until you receive your notification from the Department of Revenue.

The fact that the increase is greater than one percent comes as no surprise. The data we had (through April 2010) when we published [Budget Suggestions for 2011](#) (📎 778kb) suggested that the increase would be in the range of 1.338 to 1.891 percent.

### **Information on the statutes that inform property tax levy increases is given below.**

[RCW 84.55.010](#) allows a taxing district to levy an amount equal to its highest allowable levy in the most recent three years times a "limit factor." (WAC 458-19-020 says the base year is the highest amount that could have been lawfully levied since 1985 for 1986 collection.) For most taxing jurisdictions, this will be the levy made in November 2009 for 2010 taxes.

The "limit factor" is set out in [RCW 84.55.005](#). For taxing jurisdictions with a population of under 10,000, Initiative 747 sets the limit factor at 101 percent. For those with a population of 10,000 or more, the limit factor is the lesser of 101 percent or 100 percent plus "inflation." "Inflation" is measured by the increase in the implicit price deflator for personal consumption expenditures for the most recent twelve months, ending in July. Since, for this year, the latter measure produces a figure of 102.084 and that is greater than 101 percent, the limit factor for the 2008 levy is 101 percent. To put it a different way, the maximum allowable increase is 1 percent of the highest allowable levy that could have been levied in 1985 for 1986 collections.

Exceptions:

- Some jurisdictions have "banked" capacity. If they choose to use it, their levy increase will be more than 1 percent.
- Some jurisdictions are at their maximum statutory tax rate. They cannot increase their levy at all except for taxes on new construction and changes in the value of state-assessed utility property.
- Some jurisdictions are so close to their maximum statutory tax rate that they will be able to raise their levy by only a portion of 1 percent.