

SYNOPSIS OF PROPERTY TAX ADMINISTRATION

State law dictates that property be assessed for taxation purposes at 100 percent of its market value. The County Assessor (the "Assessor") determines the value of all real and personal property throughout the County which is subject to ad valorem taxation, with the exception of certain public utility properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the Department of Revenue of the State of Washington. All property is subject to revaluation every year based on estimated market value. Each year, one-sixth of the County property is physically inspected and appraised. The property is listed by the Assessor at its current assessed value on a roll filed in the Assessor's office. The Assessor's determinations are subject to further revision by the State Board of Equalization. After all administrative procedures are completed, the Board receives the Assessor's final certificate of assessed value of property within the County.

Property taxes are levied in specific amounts and the rates for all taxes levied for all taxing districts in the County are determined, calculated, and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a tax roll which contains the total amount of taxes to be so levied and collected. The tax roll is delivered to the County Treasurer (the "Treasurer"), an elected official, by December 15 of each year, and an abstract of the tax roll, showing the total amount of taxes collectible in each of the taxing districts for the year, is delivered to the County Auditor (an elected official) at the same time. The County Auditor issues to the Treasurer a warrant authorizing the collection of taxes listed on the Assessor's certified tax roll. The Treasurer creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All such taxes are due and payable on the 30th of April of each year, but if the amount due from a taxpayer exceeds ten dollars, one-half may be paid on April 30 and the balance no later than October 31 of that year. The method of giving notice of payment of taxes due, the Treasurer's accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the Treasurer may not commence foreclosure proceedings pursuant to a tax lien on real property until three years have passed since the first delinquency.

PROPERTY TAX LIMITATIONS

Limit Factor

Pursuant to RCW 84.52.043, counties may levy taxes for the Current Expense Fund at a maximum rate of \$1.80 per \$1,000 of assessed value against all real and personal property in the County. In addition, the principal on bonds issued by the County without a vote of the people (limited tax general obligation bonds) are limited to 1.50 percent of assessed value. If there is voter approval, the limit is 2.50 percent on bonded debt (which limit also includes limited tax general obligation bonds). See "DEBT INFORMATION."

State law limits the total dollar amount (as opposed to levy rate) of regular property taxes that a taxing district can levy. Pursuant to this limitation, any increase in the County's regular property tax from one year to another is restricted to an amount equal to (i) the County's highest levy amount in the past three years multiplied by a "limit factor", plus (i) an adjustment for new construction. The "limit factor" was the greater of: (i) the lesser of 106% or 100% plus inflation; and (ii) any percent up to 106%, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. However, Initiative Measure No. 747 was approved by the State's voters on November 6, 2001, and, as written, reduces the limit factor from 106% to 101%. See "INITIATIVES AND REFERENDA" herein. In addition, a taxing district may increase the total dollar amount of its regular property taxes levied by more than otherwise would be allowed under the regular property tax increase limitation, after obtaining a majority vote of its electors.

Statutory Limit

The total property tax levy for operating purposes, authorized without vote, not including school levies, is limited to \$5.90 per \$1,000 of assessed value. Following a constitutional amendment approved by the voters of the state in November 1986, the aggregate of all tax levies upon real and personal property by the state and all taxing districts shall not exceed one percent of the true and fair value of such property.

Initiatives and Referenda

Under the State Constitution, the voters of the State have the ability to initiate legislation and require the Legislature to refer legislation to the voters through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subjected to amendment or repeal by the Legislature in the same manner as other laws.

Initiative measure No. 747 (“I-747”) was approved by the State’s voters in November of 2001. I-747 reduces the limit on the total dollar amount of regular property taxes that may be levied annually by a taxing district (including the County) without a vote of its electors from 106 percent to the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or inflation as measured by the Implicit Price Deflator (IPD). I-747 will reduce increases in future property tax revenue to the County. That reduction will have an effect on budgeted general fund expenditures. The County has adjusted its budget for 2002 to account for this reduction in taxes. The County does not anticipate that the effects of I-747 will impact the ability of the County to pay debt service on the Bonds.

Other tax and fee initiative measures have been and may be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, whether they ultimately would be approved.

Table 14
CURRENT EXPENSE FUND PROPERTY TAX LEVY
(Dollars per \$1,000 of Assessed Value)

Year	General	Mental Health	Veterans’ Relief	Juvenile Facility	Total
1998	1.3545	0.0250	0.0113	0.3500	1.7408
1999	1.4235	0.0250	0.0113	0.2903	1.7501
2000	1.5657	0.0250	0.0200	0.1820	1.7927
2001	1.4176	0.0250	0.0130	-	1.4556
2002	1.4114	0.0250	0.0130	-	1.4494
2003	1.3556	0.0250	0.0130	-	1.3936

Source: Kitsap County

Appendix E
Synopsis of Property Tax Administration

Table 15
AD VALOREM PROPERTY TAX RATES
(Dollars per \$1,000 Assessed Value)

Levy Year	Avg. City	State School	Kitsap County	Avg. Port Districts	Avg. School Districts	PUD	Avg. Medical/ Fire Dist.	Regional Library	Parks Bond	Others	Total
1998	3.3217	3.5911	3.6355	0.2743	4.1103	0.1017	1.7566	0.5000	0.2781	1.2083	18.7776
1999	3.2410	3.3178	3.7473	0.2514	4.3938	0.1017	1.8020	0.5000	0.2626	2.6653	20.2829
2000	3.3696	3.2808	3.8529	0.2477	4.5096	0.1008	1.8806	0.5000	0.4034	1.2907	19.4361
2001	2.8671	3.0951	3.5006	0.2482	3.6211	0.0975	1.9380	0.500	1.5095	1.2161	18.5932
2002	2.8340	3.1475	3.6488	0.2521	4.2347	0.1064	1.8721	0.4834	0.1858	1.1667	17.9315
2003	2.5293	2.9267	3.5261	0.2444	3.9113	0.1018	1.8134	0.4623	1.5084	1.1019	18.1256

Source: Kitsap County

Table 16
MAJOR TAXPAYERS

Name	Business	2002 Assessed Valuation for 2003 Taxes	Percent of County Value¹
Puget Sound Energy	Electric utility	\$146,227,949	0.89%
U.S. West Communications	Telephone utility	86,048,469	0.52
PPR Kitsap Mall/North Point LLC	Regional retail center	56,910,000	0.35
Roundup Co. dba Fred Meyer Inc.	Retail	27,458,943	0.17
Cascade Natural Gas	Gas utility	24,597,737	0.15
Albertson's Inc.	Retail	24,632,392	0.15
Sprint Corp./United Telephone Co.	Telephone Utility	22,558,481	0.14
Joshua Green Corp.	Community Center	15,432,000	0.09
Fairgrounds Road Association	Apartments	14,781,000	0.09
Wal Mart Stores Inc.	Retail	14,714,000	0.09
Falcon Cable TV	Cable Television	14,639,099	0.09
Pope Resources	Forestry	14,313,217	0.09
Joe Mentor	Business services	13,915,220	0.08
Silverdale Plaza LLC et al	Community Center	12,888,000	0.08
Bon Marche	Retail	12,756,680	0.08
Century Tel of WA Inc. (T141)	Utility	12,656,383	0.08
Northwest Corporate Campus LLC	Land Developer	12,594,540	0.08
Tavitac Bethel LLC	Neighborhood Center	12,117,000	0.07
Country Club of Seattle	Resid., Current Use	12,056,696	0.07
NA Mariners Glen 68 LP	Apartments	11,352,000	0.07
Tim Ryan Enterprises	Retail	10,983,000	0.07
F&F/WC Santa Fe Ridge Assoc.	Apartments	10,562,000	0.06
Winslow Marine LLC	Land Developer	10,440,580	0.06
Costco Wholesale Corp.	Retail	10,198,927	0.06
Tim Ryan Properties	Retail	9,906,300	0.06
FGS Wellington LLC	Apartments	9,756,000	0.06
Town & Country Market Inc.	Retail	9,638,940	0.06
McCormick Woods Partners	Land Developer	9,588,569	0.06
Harrison Memorial Hospital	Hospital	9,490,402	0.06
Olhava Associates LMTD PTNSP	Land Developer	9,423,000	0.06
Safeway	Retail	9,299,352	0.06
Kitsap Bank	Banking	<u>9,083,000</u>	<u>0.06</u>
Total		\$681,019,876	4.13%

¹Total 2003 assessed value for Kitsap County is \$16,494,091,138
Source: Kitsap County