



TO: Hyun Kim, Interim City Manager
FROM: Jeff Upton, Finance Manager, Office of Management and Budget
Andy Cherullo, Director of Finance
COPY: City Council and City Clerk
SUBJECT: Ordinance – Setting the Regular Property Tax Levy – October 28, 2025
DATE: October 22, 2025

SUMMARY AND PURPOSE:

An Ordinance setting the property tax levy for the City of Tacoma. The City is required by State law to annually approve the regular levy on property taxes. Staff recommends that the City Council set the estimated 2026 levy amount for the regular property tax levy at \$71,223,148.08.

BACKGROUND:

This Department's Recommendation is Based On: Pursuant to RCW 84.52.020 and RCW 84.52.070, the City of Tacoma must pass an ordinance that identifies the estimated revenues raised by taxation on the assessed valuation of the property in the City.

The City of Tacoma must take two actions to set the regular property tax levy for 2026:

- Approve the total regular levy amount to be collected – State law requires that the City adopt an ordinance that states how much in property taxes the City is requesting to collect in 2026.
- Approve the percentage and dollar increase over the prior year's actual levy – State law requires that the City Council approve a separate ordinance or resolution that states the percentage and dollar increase of this year's levy request over the prior year's actual levy. This action establishes the City's highest allowable levy amount.

This ordinance will set the estimated 2026 regular property tax levy at \$71,223,148.08, which is lower than the 2025 regular levy amount of \$75,545,096.14. This decrease in property taxes is due to 2025 being the last year of the levy lid lift that collected property taxes for the Streets Initiative.

The City anticipates that it can collect an additional \$824,959.58 due to the value of new construction and improvements and \$373,031.73 in the refund levy. The total estimated property tax of \$72,421,139.39 is consistent with the property tax projected in the 2025-2026 Adopted Budget.

Jurisdictions with populations of 10,000 or greater are limited to increasing the City's levy by the lower of 1% or the rate of inflation. The implicit price deflator, used to measure inflation, is 2.44% for property taxes due in 2026.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

A public hearing will be held on October 28, 2025.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

The City's budget is one of the most basic and important ways that we demonstrate our commitment to the community. In the budget development process, and with this Budget Modification, we are honoring City Council



Resolution No. 40622, which directs staff to keep anti-racism as a top priority in budget development and to prioritize anti-racism in the planning of an economic recovery strategy.

ALTERNATIVES:

Pursuant to RCW 84.52.020 and RCW 84.52.070 the City of Tacoma is required to pass an ordinance to set the estimated amount of revenue from the property tax levy; therefore, staff has not identified an alternative.

EVALUATION AND FOLLOW UP:

The Office of Management and Budget will continue to produce reports for budget versus actuals in the 2025-2026 biennium and provide quarterly updates to City Council.

STAFF/SPONSOR RECOMMENDATION:

Staff recommend that the City Council approve the ordinance to appropriate the estimated expenditures and revenues from Property Tax Levy.

FISCAL IMPACT:

The ordinance will set the property tax levy at \$71,223,148.08 exclusive of new construction and refunds. With new construction and refunds, the 2026 property tax is estimated at \$72,421,139.39 which is consistent with the property tax projected in the 2025-2026 Adopted Budget. Due to historical collection rates of 97.5%, staff anticipate property tax revenues to be approximately \$70 million for the 2026 fiscal year.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
0010 – General Fund	652000 – Non-Departmental Revenues	4311100 – Property Tax	\$ 70,610,610.91*
TOTAL			\$ 70,610,610.91

**Assumes 97.5% collection rate*

What Funding is being used to support the expense?

Revenues collected from Property Tax.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

The revenues are included in the 2025-2026 Adopted Budget.

Are there financial costs or other impacts of not implementing the legislation?

YES

Failing to adopt the 2026 Revenues from Property Tax Levy would adversely affect the City's levy collection.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

NO