

HOUSE BILL REPORT

HB 2924

*As Reported By House Committee on:
Revenue*

Title: An act relating to annual revaluations of real property.

Brief Description: Requiring annual revaluations of real property.

Sponsor(s): Representatives Wang, Brumsickle, Leonard, Wynne, Rust, Van Luven, Fraser, Winsley, Paris, Locke, Beck, Brough, Carlson, Nelson, Franklin and May.

Brief History:

Reported by House Committee on:
Revenue, February 6, 1992, DP.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *Do pass.* Signed by 13 members: Representatives Wang, Chair; Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Carlson; Day; J. Kohl; Leonard; Morris; Rust; and Van Luven.

Minority Report: *Do not pass.* Signed by 1 member: Representative Morton.

Staff: Rick Peterson (786-7150).

Background: Property subject to property tax is assessed at its true and fair value. In most cases, this is the market value in the property's highest and best use. The values are set as of January 1. These values are used for determining property bills to be collected in the following year.

County assessors establish new assessed values on a regular revaluation cycle. The length of revaluation cycles vary by county. The most common length is four years, although three and two-year schedules are used by some counties. A proportionate share of the county is revalued during each year of the cycle. In most cases, individual property values are not changed during the intervening years of the revaluation cycle. The change in value for an individual

property follows a stair-step pattern; no change in value for three years, then in one year, a change representing four years of value growth, two or three years in case of a two or three-year cycle.

Some counties are on a program of annual updates. Values are adjusted annually based on market value statistical data. In this case, a physical inspection of each property is done once every six years.

Assessments are updated annually in 13 counties. King, Franklin and Douglas counties are on two-year revaluation cycles. Snohomish County is on a three-year cycle. The other 22 counties revalue every four years.

Substitute House Bill 1301, 1991 regular session, directed the Department of Revenue to study the administration of the property tax system. The study included an examination of annual assessment updates. The department made the following recommendations:

- (1) The state should require counties to adopt annual revaluation cycles in phases;
- (2) The department should provide a leadership role and work cooperatively with counties to establish uniform methods, standards, and guidelines;
- (3) The state should assist counties with initial costs of acquiring adequate tools for determining real property values; and
- (4) The department should monitor and enforce performance standards for the revaluation of real property.

Summary of Bill: All counties are required to annually revalue real property by January 1, 1999. Physical inspections of real property must occur at least once every six years. Counties with over one million population are required to do physical inspections at least once every four years.

All counties are directed to prepare annual revaluation implementation plans, including estimates of ongoing and one-time costs. The Department of Revenue is directed to compile these county plans and report to the Legislature by November 30, 1992.

The department will monitor the progression of the annual revaluation plans and inform the assessor and county commissioners if the plan cannot be completed by 1999.

The department is required to establish appropriate statistical methods for adjusting the valuation of residential, commercial, and industrial properties between physical inspections.

Fiscal Note: Requested January 29, 1992.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The bill would help develop a more equitable tax system. Sharp increases in value due to the operation of the current revaluation cycle will be moderated.

Testimony Against: None.

Witnesses: (In favor): Will Rice, Department of Revenue; George F. Tyler, witness; and Bruce Holland, King County Assessor.