HOUSE BILL REPORT

HB 1301

As Reported By House Committee on:
Revenue

Title: An act relating to improving property tax administrative practices.

Brief Description: Improving property tax administrative practices.

Sponsor(s): Representatives Wang, Holland, Fraser, Horn, Rust, Brumsickle, Leonard, Ballard, Nelson, Heavey, Haugen, Winsley, Jacobsen, May, Morris, Ferguson, Appelwick, Phillips, H. Sommers, Belcher, Locke, Pruitt, Franklin, Spanel, Van Luven, Cooper, Wineberry, H. Myers, Bray, Scott and Anderson.

Brief History:
Reported by House Committee on:
Revenue, January 29, 1991, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: *That Substitute House Bill No. 1301 be substituted therefore, and the substitute bill do pass.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Phillips; Rust; Silver; 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 1st. 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 four 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.

Real property appraisers employed by county assessors are required to: (1) be graduated from an accredited high school or pass a high school equivalency exam, (2) have at least one year of experience in transactions involving assessment or appraisal or real property, (3) be knowledgeable in repair and remodeling of buildings and improvements to land and the significance of location to the value of real property, and (4) be knowledgeable in the Department of Revenue's standards of real property appraisal.

No person may assess real property for tax purposes without passing an examination covering items (3) and (4). The examination is administered by the Department of Personnel and prepared with the advice of the Department of Revenue.

Recent large individual property valuation increases and public confusion about the operation of the 106 percent levy limitation have raised concerns about the need for additional explanatory information on how property tax bills are determined.

Summary of Substitute Bill: All counties are required to establish an annual valuation adjustment schedule with physical inspections of property at least once every six years. Counties are given until the assessment year for 1996 taxes to comply with the annual revaluation schedule.

The Department of Revenue is required to prepare a clear and succinct explanation of the property tax system including information on the assessment process, appeal rights, determination of district levy rates and available property tax relief programs. Copies are to be made available through county assessors' offices.

Property appraiser qualifications are changed. The high school graduation or equivalent requirement is eliminated. The Department of Revenue is to establish by rule additional minimum requirements for real property appraisers. The Department of Revenue is given complete responsibility for preparing and administering the examination. Also, the Department of Revenue may establish continuing education requirements for real property appraisers.

The Department of Revenue is directed to conduct a study of the administration of the property tax system. The study shall include an examination of the implementation of the annual revaluation requirement, data processing capability of county assessors, effectiveness of county boards of equalization, the adequacy of auditing tax relief programs, and the fiscal impact of property tax reform legislation on individual taxing districts. The department shall report the findings of the study committee to the appropriate legislative committees by November 30, 1991.

Substitute Bill Compared to Original Bill: The original bill included as part of the Department of Revenue study a study of the effectiveness and equity of the current method of equalizing the state levy. The original bill did not contain the requirement for the county assessor to report the results of sales-assessment ratio studies by property use class.

Fiscal Note: Requested January 15, 1991.

Effective Date of Substitute Bill: Annual revaluation schedules are required by the 1996 collection year. New property appraiser requirements and examination by the Department of Revenue are effective July 1, 1992. The bill contains an emergency clause and the remaining sections take effect immediately.

Testimony For: Annual revaluations will promote more consistency in assessments and reduce size of year-to-year charges.

Testimony Against: None.

Witnesses: Enid Layes and John Penney (in favor), Assn. of Washington Business; Ray Ryan, Cowlitz County Assessor; Stan Finkelstein, Assn. of Cities; Fred Saeger, WA Assn. of County Officials; Rick Wickman, Assn. of Counties; Ruthe Ridder, King County Assessor; Jack Westerman, Jefferson County Assessor; all in favor but concerned about county administrative costs.