

SENATE BILL REPORT

SB 5849

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 8, 1991

**Brief Description:** Averaging large property tax valuation increases.

**SPONSORS:** Senators McDonald, Rinehart, Bluechel, Gaspard, Hayner, Skratek, Erwin, Sellar, Murray, Thorsness, Bailey, Roach, Anderson, von Reichbauer, Nelson, Cantu, and L. Smith.

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Substitute Senate Bill No. 5849 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bluechel, Cantu, Gaspard, Hayner, Johnson, L. Kreidler, Metcalf, Rinehart, West, Williams, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 27, 1991; March 8, 1991

**BACKGROUND:**

Property taxes are imposed on the assessed value of property. Current law requires the assessment to equal 100 percent of the fair market value of the property on July 31 of the assessment year for new construction and on January 1 of the assessment year for all other property. For 1991 taxes, the valuations by counties ranged from 80 percent to 100 percent of fair market value.

In counties on a four-year revaluation cycle, the change in the tax assessment in the year of revaluation reflects four years of market value changes. Changes in assessments are determined by changes in the real estate market. Therefore, there is no limit to the amount an assessment may increase or decrease.

**SUMMARY:**

Each year, the current appraised value is compared to the assessed value for the previous year. The new assessed value is the lesser of (1) the current appraised value, and (2) the greater of:

- o 106 percent of the previous assessed value; or
- o The previous assessed value plus 25 percent of the difference between current appraised value and the previous assessed value.

Improvements to property (new construction and remodeling) are always added separately at their appraised value.

The assessment limit applies to state and local levies and to both real and personal property.

The bill applies to 1992 taxes and averages appraised value with the assessed values which would have been used for 1991 taxes if the bill were effective for 1991 taxes.

**EFFECT OF PROPOSED SUBSTITUTE:**

The bill is prospective only and does not assume the bill applied to 1991 taxes.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

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

**TESTIMONY FOR:**

Four-year averaging will smooth taxes, but it should not be applied retroactively.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Art Wang (pro)