

HOUSE BILL REPORT

SSB 5003

As Reported By House Committee On:

Finance

Title: An act relating to property tax exemptions for property with an assessed value of less than five hundred dollars.

Brief Description: Providing property tax exemptions for property with an assessed value of less than five hundred dollars.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Loveland, McDonald, Sheldon, Winsley, Goings, Deccio, Rasmussen, Hale, Stevens, Johnson, McCaslin, Rossi, Oke, Zarelli and Roach).

Brief History:

Committee Activity:

Finance: 3/20/97, 4/3/97 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 13 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Morris; Pennington; Thompson and Van Luven.

Staff: Rick Peterson (786-7150).

Background: The property tax is applied annually to the assessed value of all property except that which is specifically exempt by law. Taxable property includes both real property and personal property. Real property is land and the buildings, structures, or improvements that are affixed to the land. Personal property includes all property that is not real property, whether owned by a business or an individual.

Motor vehicles, household goods, personal effects, and business inventories are exempt from property tax. The major category of personal property that is subject to tax is personal property used in a trade or business. Additionally, the first \$3,000 of taxable personal property for heads of households is exempt. This reduces the personal property tax liability of unincorporated businesses that are subject to personal property tax on business equipment and supplies.

Unpaid property taxes accrue interest and penalties. If the taxes remain unpaid for three years, the county may commence foreclosure proceedings. Eventually the property may be sold to recover the past due taxes. Generally, public notice is given for the tax judgement sale and the property is sold to the highest bidder. In the following circumstances the tax foreclosed property may be sold by private negotiation: when the sale is to a government agency for a public purpose; when it is not practical to build on the property due to physical characteristics of the property or legal restrictions on the property; or when no acceptable bids were received at the public auction.

Summary of Amended Bill: Each parcel of real property, and each personal property account, with an assessed value of less than \$500 is exempt from taxation. This exemption does not apply to personal property to which the head of household exemption may be applied or to real property which qualifies for preferential tax treatment.

Tax foreclosed property with an assessed value below \$500 may be sold to an adjoining landowner by private negotiation.

Amended Bill Compared to Substitute Bill: The amended bill adds a provision allowing tax foreclosed property with an assessed value below \$500 to be sold to an adjoining landowner by private negotiation.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect on January 1, 1999.

Testimony For: The cost of printing and mailing the tax bills on properties with values less than \$500 exceeds the amount of tax. The assessor would still track the parcels but substantial savings would come from printing and foreclosure costs.

Testimony Against: None.

Testified: Rose Bowman, Washington State Association of County Treasurers.