

HB 1549

Bill Analysis

February 27, 1997

Brief Description: Reducing property tax assessments in response to government restrictions. Revaluation out of cycle upon taxpayer petition.

Bill Sponsors: Representatives H. Sommers, Reams, Scott, B. Thomas, Dunshee, Gombosky, Cooper, Chopp, Conway, Costa, Lantz, Cole, O'Brien and Mason.

Staff: Rick Peterson (786-7150)

Background: All real and personal property in this state is subject to the property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

The assessed value is defined to be 100 percent of the property's true and fair value (market value). The assessed value takes into account, among other factors, development regulations, zoning, and other governmental policies or practices that affect the use of property.

County assessors establish new assessed values on a regular revaluation cycle. The length of revaluation cycles varies by county. The most common length is four years, which is the maximum allowed by statute. Of the 39 counties, 20 revalue every four years. San Juan revalues every three years. Douglas revalues every two years. Seventeen counties revalue every year.

If a county's revaluation cycle is longer than two years, an equal portion of the county must be revalued during each year of the cycle. Individual property values are not changed during the intervening years of the revaluation cycle.

Counties on revaluation cycles longer than one year must physically inspect each property at the time it is revalued. If a county revalues property annually, physical inspection of each property is required only once every six years. Values are adjusted annually based on market value statistical data.

Notice of a valuation change is mailed to the taxpayer not later than 30 days after the assessor determines a new value. The assessor must complete revaluations by May 31 of each year.

County boards of equalization provide the first level of appeal for property owners who dispute the assessed value of their properties. In counties with revaluation cycles longer than one year, the property owner's appeal is based on the true and fair value as of January 1 of the year in which the revaluation occurs. Appeals of county boards of equalization decisions are taken to the state Board of Tax Appeals.

The assessor may cancel or correct assessments on the assessment or tax rolls which are due to "manifest error" in the description, double assessments, or clerical errors, if the cancellation or correction does not involve the revaluation of the property.

In 1996, the Legislature expanded the manifest error procedure to allow the assessor to revalue property if the taxpayer produces proof that an authorized land use authority has made a definitive change in the property's land use designation. The assessor and taxpayer must sign an agreement on the true and fair value of the property. Correction under this procedure can be made up to three years prior to the year in which the error is discovered.

Refunds of property taxes are available when the property taxes were paid more than once, paid as a result of manifest error, paid as a result of clerical errors in the listing of property, or paid on the basis of a higher assessed valuation that was reduced by action of the county Board of Equalization, the state Board of Tax Appeals, or court action.

Summary of Bill: A property owner may appeal directly to the county assessor to reconsider valuation of real property, if a government entity adopts a restriction on the property that limits the use of the property. A request to reconsider property valuation must be made within three years of the time the government entity adopts the restriction.

The assessor has 120 days to reconsider the property value. Unless the property would otherwise be revalued that year as a result of the revaluation cycle or new construction, the valuation of the property shall not be increased as a result of the revaluation. The taxpayer may appeal the new value to the county board of equalization.

If the new valuation is established after June 1 in any year, the new valuation shall be used for purposes of imposing property taxes in the following year. If the property value is reduced the property owner is entitled to a refund on property taxes for each year after the restriction was adopted, not to exceed three years. The refund amount in each year is the amount of the reduced valuation of the property for that year multiplied by the tax rate in that year.

Fiscal Note: Available

Effective Date: Ninety days after adjournment of session in which bill is passed.