

HB 1937

Bill Analysis

February 26, 1997

Brief Description: Revising property tax administration; providing full disclosure; revising billing procedures; requiring annual revaluations.

Bill Sponsors: Representatives Carrell, B. Thomas, Talcott, Zellinsky, Thompson, Chandler, Mielke, McDonald, Smith, Boldt, Hickel, Huff, Sheahan, Sterk, D. Schmidt, L. Thomas, Robertson, Cairnes, Mitchell, D. Sommers and Dyer.

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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.

Property Tax Notices and Disclosures: County assessors establish new assessed values on a regular revaluation cycle. The values are set as of January 1. These values are used for calculating property bills to be collected in the following year. Notices of valuation changes are mailed to taxpayers. A bank or other institution which pays the property tax on behalf of the property owner is required to provide the owner's name and address to the assessor upon the assessor's request. A civil penalty of up to \$5,000 may apply if the bank or other institution fails to respond to the assessor's request.

Property taxes are collected by the county treasurer in which the property is located. The county treasurer is required to notify the taxpayer of the amount of tax owed. The following information is required: the value of the real and personal property, the amount of current and delinquent property tax, the name and amount for each district levying a tax.

The treasurer sends the tax bill to the property owner or the institution paying the tax in cases where the owner has taxes paid from an account kept by that institution.

Property Tax Ballot Proposals: The sum of regular property tax rates is limited by the State Constitution to a maximum of 1.0 percent (or \$10.00 per \$1,000) of the true and fair value of the property. The Constitution provides a procedure for voters to approve levies more than the 1 percent limit. Ballot proposals for one year excess levies, two year school maintenance and operation levies, and school six year capital levies must state the total amount of tax and provide

an estimate of the tax rate.

Property Tax Due Dates: Property taxes are due on April 30 each year. If one half the tax is paid by April 30, then the other half is due on October 31. However, if the first half property tax payment is not made on time, the entire tax is delinquent and interest is charged at the rate of 12 percent per year (1 percent per month). If the tax bill is below \$50, then all the tax must be paid by April 30.

Until 1897, property taxpayers only made one payment for taxes so there was no distinction between the first and second half-payment. After 1897, taxpayers were allowed to make two payments but if late on the first payment interest was due on the entire tax bill. In 1931, the Legislature changed the law and charged interest only on the first half-payment when it was late. In 1949, the Legislature again changed the law and applied interest to the entire tax bill if the first half payment was late.

Revaluation 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. The change in value for an individual property follows a stair step pattern. For example, for an individual property in a four-year revaluation cycle there is no change in value for three years. Then, in one year, there is a change representing four years of value growth.

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.

Property Tax Appeals: County boards of equalization provide the first level of appeal for property owners who dispute the assessed value of their properties. Appeals of county boards of equalization decisions are taken to the state Board of Tax Appeals. The assessed value determined by the assessor is presumed to be correct but can be overturned by clear, cogent and convincing evidence to the contrary.

Summary of Bill:

Property Tax Notices and Disclosures: A bank or other institution paying property taxes on behalf of a property owner must supply the assessor with the owner's name and address. The bank or other institution is subject to a civil penalty of \$5 per parcel not to exceed \$5,000 per year for failure to supply the name and address.

The county treasurer must send a copy of the tax bill to the property owner in cases where an institution is paying the tax for the owner.

The information required on the property tax bills is expanded. New items required on the tax bill include; the property's legal address and description, the current land and improvement assessed value, and the tax rate charged by each district.

Property Tax Ballot Proposals: Propositions for excess levies must state the estimated tax liability for a \$100,000 property. Also, proposals for multiple year excess tax levies must show the amount of tax and an estimate of the tax rate for each year the levy is imposed. Ballot propositions must state the proposed use of the tax money.

Property Tax Due Dates: The property tax bill is separated into a first half-payment due on April 30 and a second half-payment due on October 31. If the first half-payment is not made on time, only that portion of the tax is delinquent rather than the entire tax bill. If the total tax on real and personal property is below \$100 then the entire tax bill is due on April 30.

Revaluation of Property: Properties must be revalued annually. By July 1, 1998, each county assessor will file an annual revaluation implementation plan. Counties which do not have the tools or methods of valuation for a smooth transition have until 2002 to fully comply with annual revaluations.

Property Tax Appeals: The "clear, cogent and convincing" standard for overcoming the assessor's value is replaced with the less stringent standard of "a preponderance of the evidence."

The bill applies to 1998 taxes and thereafter.

Fiscal Note: Requested

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