

# HOUSE BILL REPORT

## ESSB 5574

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**As Passed House-Amended:**

April 18, 1997

**Title:** An act relating to property tax reform.

**Brief Description:** Instituting property tax reform.

**Sponsors:** Senate Committee on Government Operations (originally sponsored by Senator Horn).

**Brief History:**

**Committee Activity:**

Finance: 4/1/97, 4/7/97 [DP].

**Floor Activity:**

Passed House-Amended: 4/18/97, 90-7.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 10 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Conway; Kastama; Pennington; Schoesler; Thompson and Van Luven.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Mason and Morris.

**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.

*Property Tax Notices and Disclosures:* County assessors establish new assessed values on a regular revaluation cycle. The values are set as of January 1, and are used for calculating property bills to be collected in the following year. Notices of the 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 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 that are 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 of 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).

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 they were 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.

**Summary of Bill:** A taxpayer who only holds a security interest in property must supply the county assessor with the name of the person making payments for property tax purposes under the security interest. Wilful failure to comply is subject to a \$5 civil penalty per parcel, per year, up to \$5,000. The revaluation notice sent to the taxpayer must contain a statement informing the taxpayer that he or she may call the county to request a copy of the property tax statement. The copy of this notice must clearly state in bold-face type that it is not a bill and is for informational purposes only. The revaluation notice must also contain a statement that information concerning the zoning and other land use restrictions on the property may be obtained by calling the city or county planning department.

The information required on the property tax notice mailed to the taxpayer is expanded. The tax notices must also include the property address, if one exists, or the abbreviated legal description and current billing information containing each type of taxing jurisdiction that is levying a tax on the identified parcel, and the total amount due for each type of taxing jurisdiction. Of the total amount due for each type of jurisdiction, the statement must show what is due as a result of regular property taxes, expressed as a dollar amount, and what is due as a result of voter-approved levies, including special levies and assessments, expressed as a dollar amount. In any county where the county treasurer includes multiple parcels of land on a combined tax statement to a single owner, the county treasurer is exempt from these requirements. However, a taxpayer may request a separate tax statement on any or all parcels. The county treasurer is required to include the expanded information on the tax bill as soon as practical but not later than the first tax year after a major change in data systems or software used by the treasurer.

The name of the state property tax levy for the support of the common schools is entitled "State Property Tax Levy," and the property tax notice must not indicate its use for the support of the common schools.

Ballot propositions submitted to the voters for regular or excess levies are required to set forth the amount in terms of dollars to be raised, an estimate of the dollar tax rate necessary to produce the dollar amount, an estimate of the total tax liability for \$100,000 of taxable value, and a statement of the proposed uses of the tax levy. If the levy is for more than one year, the proposition must state this information for each year of the levy. The ballot proposition must also contain a statement as to whether a proposed levy is a new levy or a replacement levy and, if a replacement levy, an estimate of the proposed increase or decrease of the dollar amount of the tax levy.

The tax bill is separated into a first half-payment due April 30, and a second half-payment due 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. Interest and penalties on the first-half taxes are due on October 31.

The changes begin with property taxes paid in 1998.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This is the third leg of the property tax reform bills this session. The bill brings to the taxpayer more information on regular property taxes and voter

approved property taxes. It also provides additional information on property tax ballot propositions. The additional ballot language on whether the property tax is a new or replacement tax is important.

**Testimony Against:** The bill constitutes an unfunded mandate to local government. The bill would require a complete rewrite of tax billing computer programs. The change in interest calculations for delinquent tax payments will reduce revenue to King County by \$1.5 million a year. Other counties will also experience losses. Private credit providers calculate the interest due on the entire amount that is owed. Interest on delinquent property taxes should be calculated in the same way. About 96 percent of property owners pay their taxes on time. This bill would reward the 4 percent who do not pay on time.

**Testified:** Senator Horn, prime sponsor; Dwayne Slate, Washington State School Director's Association (pro); Phil Sanders, King County Finance Department (con); and Scott Noble, King County Assessor (con).