

# FINAL BILL REPORT

## ESSB 5212

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### FULL VETO

As Passed Legislature

**Brief Description:** Limiting property taxes.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Hale, Zarelli, Johnson, McDonald, McCaslin, Deccio, West, Schow, Horn, Strannigan, Hochstatter, Benton, Sellar, Anderson and Oke).

**Senate Committee on Ways & Means**

**House Committee on Finance**

**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.

Real property lying wholly within individual county boundaries is assessed based on its value by the county assessor. Intercounty, interstate, and foreign utility and transportation companies are assessed based on their value by the Department of Revenue. Property assessed by the Department of Revenue is referred to as state-assessed or centrally assessed property.

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.

County assessors revalue property periodically on a regular revaluation cycle. The length of the revaluation cycle varies by county. The most common length is four years, which is the maximum allowed by statute. 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.

In 1971, the Legislature imposed a statutory lid on regular property tax levy increases. Under this lid, regular property taxes levied by a taxing district in any year may not exceed 106 percent of the taxes levied by the district in the highest of the preceding three years. Added to this amount is the previous year's tax rate multiplied by the assessed value in the district that results from new construction and improvements to property in the previous year and any increase in the value of state-assessed property. To remove the incentive to maintain a high levy, taxing districts other than the state are assumed to have levied the maximum allowed since 1986.

The 106 percent limit is not a limitation on the amount of taxes that may be imposed on an individual taxpayer but rather is an aggregate limit on the amount of property taxes that may be levied by a taxing district.

**Summary:** A limitation is placed on adding to the tax rolls large valuation increases to real property. Each year, the current appraised value is compared to the assessed value for the previous year. The new assessed value is determined according to the following chart:

<u>Difference</u>	<u>New Assessed Value</u>
Negative to +15%	Appraised value
Between 15% and 60%	Old assessed value plus 15%
Over 60%	Old assessed value plus 25% of the difference

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

This value is used in calculating state and local levies beginning with 1999 taxes.

The 106 percent limit is changed to the lesser of (1) 106 percent or (2) 100 percent plus the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce in September of the year before taxes are payable. However, a 106 percent limit applies to a taxing district with a population of less than 10,000. In addition, a taxing district other than the state may provide for the use of a limit of 106 percent or less for any year. In districts with legislative authorities of four members or less, two-thirds of the members must approve the change. In districts with more than four members, a majority plus one vote must approve the change.

The change in the 106 percent limit applies to 1998 taxes and thereafter.

No increase in property tax revenue, other than that resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, may be authorized by a taxing district other than the state, except by adoption of a separate ordinance or resolution, pursuant to notice, specifically authorizing the increase in terms of both dollars and percentage. The ordinance or resolution may cover a period of up to two years, but the ordinance must specifically state for each year the dollar increase and percentage change in the levy from the previous year.

**Votes on Final Passage:**

Senate	28	17
House	63	34 (House amended)
Senate	33	16 (Senate concurred)