SENATE BILL REPORT

SB 5574

As Reported By Senate Committee On:
Ways & Means, February 11, 1997
Government Operations, March 4, 1997

Title: An act relating to property tax reform.

Brief Description: Instituting property tax reform.

Sponsors: Senator Horn.

Brief History:
Committee Activity: Ways & Means: 2/11/97 [w/oRec-GO].
Government Operations: 2/21/97, 3/4/97 [DPS]

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That it be referred to Committee on Government Operations without recommendation.
Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, Roach, Rossi, Schow, Sheldon, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: That Substitute Senate Bill No. 5574 be substituted therefor, and the substitute bill do pass.
Signed by Senators McCaslin, Chair; Hale, Vice Chair; Anderson, Haugen, Horn and Patterson.

Staff: Eugene Green (786-7405)

Background: When property is revalued, the county assessor sends a notice of the revaluation to the taxpayer. In most cases, this is the bank or mortgage company holding the note on the property. The taxpayer, upon the written request of the assessor, must provide the assessor with the name of the person making the payments within 30 days of the request. A notice is then also sent to this person. Wilful failure to comply is subject to a civil penalty of up to $5,000.

Property taxes are collected by the county treasurer. Tax statements are sent to the taxpayer who appears on the tax rolls. This is generally the mortgage company. The property owner does not receive a copy. The following information is required on the tax statement: the value of the real and personal property, the amount of current and delinquent property tax, and the name and amount for each district levying a tax.

Ballot propositions submitted to the voters for excess levies are required to set forth the amount in terms of dollars to be raised, together with an estimate of the dollar tax rate necessary to produce the dollar amount.

Property taxes are due April 30 each year. If one half the tax is paid by April 30, the other half is due October 31. However, if the first half 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).

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. 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. Of the 39 counties, 19 revalue every four years. San Juan revalues every three years. Two counties, Franklin and Douglas, revalue every two years. Seventeen counties revalue every year.

When property values are appealed, the valuation of the property determined by the county assessor is presumed to be correct unless the taxpayer presents clear, cogent, and convincing evidence that the value is incorrect.

The state property tax levy is shown on property tax statements as being for the support of common schools.

Summary of Substitute 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 the taxpayer 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 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.

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 levies. If the levy is for more than one year, the proposition must state this information for each year of the 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.

Properties must be revalued annually. An implementation plan must be filed with the Department of Revenue by January 1, 1998. The department may approve a revaluation plan that provides for phased-in compliance with the annual statistical update requirement. A phased-in compliance plan must provide statistical updates for a reasonable portion of all taxable real property within a county each year, with full compliance with the annual statistical update requirement not later than for taxes levied for collection in 2003. Approval of requests for phased-in compliance is determined by the extent to which the requirement creates an undue burden or hardship upon the county.

When property values are appealed, the valuation of the property determined by the county assessor is presumed to be correct unless the taxpayer presents by a preponderance of the evidence that the value is incorrect.

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.

The bill applies to 1998 taxes and thereafter.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available on original bill; requested on substitute bill on March 5, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed (for taxes levied for collection in 1998 and thereafter).

Testimony For: The property owner should get a tax bill and have as much information as possible. People should know how much of their taxes are due to voter approved levies and special assessments. Property should be revalued annually to avoid a big hit– every four years. Taxpayers would benefit if there was a lower standard by which to challenge assessments. There is no good reason for charging interest on the full amount due if a taxpayer is late with his or her first half taxes.

Testimony Against: There will be a significant cost to many counties to get them on an annual revaluation cycle. Lowering the standard of proof to challenge assessments will almost totally benefit big businesses, not homeowners. Charging interest on only the first half amount when it is late will cost local government a considerable amount of money.

Testified: Rose Bowman, Lewis County (con); Phil Sanders, Washington Association of Treasurers; Ron Strabbing, Grays Harbor (con); Harold Chambers (pro); Scott Noble, King County Assessor (con Sec. 401); Tom Dooley, AWB (pro); Mike Bernard, Madison Cooke (pro).