

# HOUSE BILL REPORT

## HB 2273

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### As Reported By House Committee On:

Finance

**Title:** An act relating to taxation of destroyed property.

**Brief Description:** Changing provisions relating to taxation of destroyed property.

**Sponsors:** Representatives Haigh, Romero, Alexander, Hatfield, DeBolt, Eickmeyer, Wolfe, Rockefeller, Lovick, Lantz and Thomas.

### Brief History:

#### Committee Activity:

Finance: 4/5/99 [DPS].

#### Brief Summary of Substitute Bill

- Reduces the property tax on destroyed property or property damaged by a natural disaster in the year in which the damage occurs rather than the following year.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Carrell, Republican Vice Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

**Staff:** Rick Peterson (786-7150).

### Background:

Property in the state is subject to the property tax each year based on the property's value, unless specifically exempted by law. Property value is determined as of January 1 of the assessment year. Property taxes are paid in the following year based on this value.

Property that is (1) destroyed in whole or part, or (2) damaged in a natural disaster after the assessment date may be eligible for an adjustment in assessed value. The property damaged in a natural disaster must be reduced in value by 20 percent or more and be located in a Governor designated disaster area.

The assessed value adjustment is equal to the value reduction due to the destruction multiplied by the proportion of time remaining in the year. For example, a property with \$50,000 of damage by a June flood would have an assessed value adjustment of \$25,000.

The assessed value adjustment reduces the property tax in the year following the damage. The property tax due in the year in which the damage occurs is not reduced.

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**Summary of Substitute Bill:**

The property tax on property that is destroyed in whole or part is reduced for the year in which the destruction occurs. This provision applies for property taxes levied for collection in 1998 through 2004.

Property tax on property reduced by 20 percent in value by a natural disaster is reduced for the year in which the damage occurs. This provision applies for Governor declared disaster areas for taxes levied for collection in 1998 and 1999. This provision applies for federal disaster areas for property taxes levied for collection in 2000 through 2004.

The current year tax reduction is equal to the reduction in value due to the damage multiplied by the proportion of time remaining in the year multiplied by the tax rate. Taxes already paid are refunded and taxes not yet paid are abated.

The property tax for the year following the year of the destruction or disaster is also reduced. The assessed value for the taxes due in the year following is reduced by the full amount of the damage adjustment and is not adjusted for the amount of time remaining in the year. This change applies for taxes levied for collection in 2000 and thereafter.

**Substitute Bill Compared to Original Bill:** The substitute applies the provisions for refunding of taxes levied for collection in the year the destruction occurs starting with taxes levied for collection in 1998. The substitute ends these provisions for taxes levied for collection in the year 2005.

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**Appropriation:** None.

**Fiscal Note:** Requested on April 1, 1999.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill was written in response to recent landslides. The houses and land are a total loss. The owners are experiencing financial difficulties and their tax bills on the full property value are due to be paid at the end of April.

**Testimony Against:** None.

**Testified:** Representative Kathy Haigh, prime sponsor.