Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1059

Brief Description: *Revising personal property taxes.*

Sponsors: *Representatives Cox, Hatfield, Cairnes and Pflug.*

Brief Summary of Bill

- *Increases the amount of personal property tax data used to determine the ratio of assessed value to market value from one to three years.*
- *Allows reporting of taxable personal property by electronic transmittal.*
- *Repeals some of the value-averaging provisions of Referendum 47.*

Hearing Date: *1/24/01*

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

Background:

All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law. Real property is listed on the tax rolls by the county assessor's office. Owners of taxable personal property provide a list of the property, either in person or by mail, to the county assessor's office or to the Department of Revenue in the case of ships and vessels.

The state imposes an annual property tax. The state property tax is allocated across the state according to the market value of each county. The Department of Revenue estimates the market value of each county by determining the ratio of assessed value to market value. The properties of inter-county and inter-state utility companies are valued by the Department of Revenue rather than the county assessor. This process is called central assessment.

These market values are adjusted by the ratio of assessed value to market value so that centrally assessed properties are treated in an equivalent manner to locally assessed properties.

Generally, the ratio of assessed value to market value for real property is determined by comparing sales prices with assessed values. For personal property, a county's ratio of assessed value to market value is determined from Department of Revenue audits of personal property accounts maintained by the county assessor. The ratio of assessed value to market value varies from county to county, but on average is about 90 percent of market value.

Referendum 47, approved by the voters in November 1997, placed a limitation on adding to the tax rolls large valuation increases in real property, beginning with taxes payable in 1999. Each year, the current appraised (market) value was to be compared to the assessed (taxable) value of the property for the previous year. The new assessed value was limited to the greater of (1) the previous assessed value plus an increase of 15 percent or (2) the previous assessed value plus 25 percent of the difference between the previous assessed value and the appraised value. This limitation was known as value averaging.

On July 30, 1998, the state Supreme Court in Belas v. Kiga, 135 Wn.2d 913 (1998), held that the value-averaging provisions of Referendum 47 violated the constitutional requirement that taxes on real property be uniform.

Summary of Bill:

The amount of data used to determined the ratio of assessed value to market value for personal property is increased from one to three years.

Lists of taxable personal property may be reported by electronic transmittal.

Some of the value-averaging provisions of Referendum 47 that were invalidated by the court are removed from the statutes.

Appropriation: *None.*

Fiscal Note: *Requested on January 20, 2001.*

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