

# HOUSE BILL REPORT

## HB 1202

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### As Reported by House Committee On:

Finance

**Title:** An act relating to improving property tax administration by providing for consistency in taxpayer appeals to county boards of equalization.

**Brief Description:** Improving property tax administration.

**Sponsors:** Representatives Cairnes and Morris; by request of Department of Revenue.

### Brief History:

#### Committee Activity:

Finance: 2/1/01, 2/13/01 [DPS].

#### Brief Summary of Substitute Bill

- Makes procedures consistent for appeals of county assessor decisions.
- Requires county assessor to correct errors in the determination of the property taxes. Requires county treasurer to correct errors in the distribution of property taxes to taxing districts.
- Increases the amount of personal property tax data used to determine the ratio of assessed value to market value from one to three years.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos and Veloria.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Van Luven.

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

### Background:

Property taxes are imposed by the state and local governments. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so that the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The assessor delivers the county tax roll to the treasurer. The county treasurer collects property tax based on the tax roll starting February 15 each year. The county treasurer makes monthly distributions of the property taxes to the taxing districts.

Property owners may appeal the value determined by the assessor to the county board of equalization. The appeal petition must be filed before July 1 or within thirty days of the mailing of an assessment notice. The county board of equalization may waive the filing deadline for good cause.

There are a number of property tax programs where the county assessor either determines property value or eligibility. These programs include new and rehabilitated multi-unit housing, historic property, designated and classified forest land, open space land, senior citizen property tax relief, conservation property, nonprofit organizations, and senior citizen property tax deferral.

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. On July 30, 1998, the Washington 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.

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**Summary of Substitute Bill:**

The time limits and good cause exceptions for appeals of assessor decisions to the county board of equalization in programs involving new and rehabilitated multi-unit housing, historic property, designated and classified forest land, open space land, senior citizen property tax relief, conservation property, nonprofit organizations, and senior citizen property tax deferral are made consistent.

Assessors are required to correct errors that resulted in all taxpayers within a district paying an incorrect amount of property tax. The correction is made in the property tax for the taxing district in the succeeding year. For large adjustments, the governing body of the district may choose to phase in the adjustment over three years. Corrections are limited to taxes no more than three years old.

Treasurers are required to correct errors in the distribution of property tax receipts to taxing districts. Adjustments are made in the following year. If the adjustment is large it may be taken over a three-year period. Corrections are limited to distributions made within the prior three years.

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

Some of the value-averaging provisions of Referendum 47 that were invalidated by the court are removed from the statutes. If a constitutional amendment that authorizes implementation of value-averaging is approved by the voters in November 2001, the value-averaging provisions are not removed.

The changes related to correcting errors in property taxes and errors in distributions of property taxes apply to errors that occur after January 1, 2002. The other changes start with 2002 property taxes.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds language that makes the bill consistent with any constitutional amendment for property tax value averaging that might be adopted.

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**Appropriation:** None.**Fiscal Note:** Available.**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The bill makes the appeal of property tax related administrative decisions more uniform. No time frame for appeal is shortened. The bill allows consistent administration across the state. Allowing the use of three years of personal property ratio study data will prevent wide variation in the ratio from year to year. This will especially help small counties. Currently there are no statutory provisions for correcting errors in the calculation of property taxes. The bill provides a procedure for resolution of error correction.

**Testimony Against:** None.

**Testified:** Tim Sekerak, Department of Revenue; and Fred Saeger, Washington Association of County Officials.