

FINAL BILL REPORT

SHB 1467

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Synopsis as Enacted

Brief Description: Improving property tax administration by correcting terminology and deleting obsolete provisions.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Reardon, Cairnes and Santos; by request of Department of Revenue).

House Committee on Finance
Senate Committee on Ways & Means

Background:

When timber is purchased at public auction from the Department of Natural Resources, the purchaser must deliver a performance bond or sureties acceptable to the Department of Natural Resources. After the timber is cut, the state releases the sureties or the bond. In order to secure release of the bond, the purchaser of timber must pay all taxes including the excise and personal property taxes that are due or that become due as a result of a timber contract.

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 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.

In 1999 the Legislature twice amended a section of law relating to the property tax exemption for homes for the aging.

In 1973 the Legislature provided for the exemption of business inventories from property taxation. The exemption was phased in by allowing a business and occupation (B&O) tax credit equal to 10 percent of the property taxes paid on business inventories in 1974 increasing to 100 percent in 1983. In 1984 the credit expired and business inventories

were exempt from the property tax. However, there exist several other property tax exemptions for items that could also be considered business inventories. This results in multiple exemptions for the same property.

All property is subject to property tax unless specifically exempted by statute. In 1967 the Legislature enacted an exemption for real property where the owner dedicates the perpetual use of the air space above the property to a political subdivision for a stadium or parking facility used in connection with the stadium. This exemption was enacted at the time the King County stadium was being planned but it has never been used.

In 1980 the Legislature enacted a six year property tax exemption for manufacturers of alcohol for use as motor vehicle fuel. The original 1986 sunset date was extended to 1992 during the 1985 legislative session. Only one firm used the exemption. No exemptions have been taken since 1990.

Summary:

In order to secure release of a performance bond, a purchaser of Department of Natural Resources timber need only present proof of payment of property taxes rather than all taxes.

The value-averaging provisions of Referendum 47 that were invalidated by the court are removed from the statutes. If a constitutional amendment authorizing implementation of the value averaging provision is approved by the voters in November 2001, then the sections repealing the value averaging provisions are null and void.

The two 1999 session laws that amended the homes for the aging property tax exemption statute without reference to each other are integrated.

Property tax provisions related to the business inventory exemption are consolidated.

The statutes related to business inventories that are consolidated under another section are repealed. The property tax exemption for real property beneath air space dedicated to a public body for a stadium or related parking facility is repealed. The property tax exemption for alcohol fuel manufacturers is repealed.

All sections apply for property taxes due in 2002.

Votes on Final Passage:

House 68 30
Senate 37 11

Effective: July 22, 2001

