

SENATE BILL REPORT

SHB 1467

As Reported By Senate Committee On:
Ways & Means, April 2, 2001

Title: An act relating to improving property tax administration by correcting terminology and deleting obsolete provisions.

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).

Brief History:

Committee Activity: Ways & Means: 3/21/01, 4/2/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Kline, Kohl-Welles, Long, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Staff: Terry Wilson (786-7433)

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.

All property is subject to property tax unless specifically exempted by statute. Many exemptions have been enacted by the Legislature.

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 has never been used.

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.

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.

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 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.

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

Summary of Bill: 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, unless a constitutional amendment that authorizes implementation of value-averaging is approved by the voters in November 2001.

All exemptions for business inventories and their related definitions are consolidated into one statute. 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.

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

All sections apply for property taxes due in 2002.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is an administrative clarification and cleanup.

Testimony Against: None.

Testified: PRO: Representative Reardon, prime sponsor; Tim Sekerak, DOR; Fred Saeger, WACO.