

SENATE BILL REPORT

SB 6197

As Reported By Senate Committee On:
Land Use & Planning, January 29, 2004

Title: An act relating to restoring the American dream by providing a tax exemption for property that has declined in value due to shoreline or growth management regulation.

Brief Description: Providing a tax exemption for property that has declined in value due to shoreline or growth management regulation.

Sponsors: Senators Benton, Roach and Mulliken.

Brief History:

Committee Activity: Land Use & Planning: 1/19/04, 1/29/04 [DPS, DNP].

SENATE COMMITTEE ON LAND USE & PLANNING

Majority Report: That Substitute Senate Bill No. 6197 be substituted therefor, and the substitute bill do pass.

Signed by Senators Mulliken, Chair; Morton, Murray and T. Sheldon.

Minority Report: Do not pass.

Signed by Senator Kline.

Staff: Andrea McNamara (786-7483)

Background: All real property in Washington is subject to property tax each year based on its value, unless a specific exemption is provided by law. The property tax liability is determined by multiplying the assessed value of real property, including the land itself, and all buildings, structures, or improvements or other fixtures upon the land, by the tax rate for each taxing district in which the property is located. Several exemptions from property tax exist in statute.

The Shoreline Management Act (SMA) governs the uses of state shorelines. The SMA requires counties and cities with shorelines of the state to adopt local shoreline master programs regulating land use activities in shoreline areas of the state and to enforce those master programs within their jurisdictions. All 39 counties and more than 200 cities have enacted master programs. Updated rules governing shoreline master programs were adopted by the Department of Ecology in December 2003, and all jurisdictions are required to update their master programs during the period of 2005 and 2014.

The Growth Management Act (GMA) governs the processes that counties and cities must use for some or all of their land use planning. The GMA requires all counties and cities to designate, and periodically update the designations of, their natural resource lands and critical areas. The GMA also requires many jurisdictions to adopt and periodically update comprehensive plans and development regulations to address 14 different planning goals.

Amendments can be made to the plans and regulations on an annual basis, and broader reviews and updates are required every seven years. Between the years 2004 and 2007, the GMA requires all jurisdictions to complete the updating process.

Summary of Substitute Bill: An exemption from state property taxes is created for real property that has been reduced in value after November 20, 2002, by 10 percent or more, as a result of regulation under a shoreline master program, a new or amended comprehensive plan, or development regulations. The exemption applies to taxes levied for collection in 2005 or later and continues until the cumulative tax savings equals or exceeds the reduction in property value.

A process is specified for filing exemption claims, establishing the amount of the value reduction, and appealing assessors' decisions on the exemption applications. Claims must be filed with the county assessor by March 31 and within two years of the regulation causing the reduction in value. Value reduction determinations may be made by the county assessor upon petition of a property owner, and such determinations are appealable to a county board of equalization.

The levy for the state must be reduced as needed to prevent exemptions from resulting in a higher tax rate.

Substitute Bill Compared to Original Bill: The substitute limits the tax exemption to state property tax levies only. It requires the claim for exemption to be made within two years from the adoption of the regulation, instead of five. The substitute also removes the option for a property owner to establish the reduction in value through a private appraisal.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The reasonable, investment-backed expectations that citizens make in property should be respected by the state, and when regulations reduce the value of those investments, property owners deserve relief. Existing remedies only deal with incorrect valuations or reducing the assessed value as a result of the regulations, but this bill provides meaningful tax relief by allowing the full reduction in value to be recouped through the cumulative savings in annual property taxes.

Testimony Against: Current law and processes already deal with situations where property value has been decreased for any reason. The valuation process already considers market value and allowable (or restricted) land uses; the regular revaluation cycle is where new regulations affecting market value would be accounted for. The existing "manifest error" provision allows for a three-year adjustment if land is no longer buildable. Allowing private, non-government appraisals to establish the loss in value would be fraught with potential problems. Parity would argue for allowing upward reassessments whenever government regulations increase the value of property.

Testified: Michelle Hagan, WA Assoc. of County Officials (con); Dianne Dorey, Lewis County Assessor (con); Duane Sommers, Spokane Co. Assessor (con); Brad Tower,

Washington Christmas Tree Growers (pro); Genesee Adkins , 1000 Friends of WA (con); Dan Wood, WA Farm Bureau (pro); Dean Schwickerath, Grays Harbor Audubon (con).