

HOUSE BILL REPORT

SHB 1502

As Passed House:
March 11, 2005

Title: An act relating to tax abatements for property damaged or destroyed by natural disasters.

Brief Description: Modifying tax abatement provisions.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Takko and DeBolt).

Brief History:

Committee Activity:

Finance: 2/8/05, 3/7/05 [DPS].

Floor Activity:

Passed House: 3/11/05, 95-0.

Brief Summary of Substitute Bill

- Reduces the property tax on destroyed property or property damaged by a natural disaster in the year in which the destruction or damage occurred.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Conway, Ericksen, Hasegawa and Santos.

Staff: Rick Peterson (786-7150).

Background:

Property in the state is subject to the property tax each year based on the property's value, unless specifically exempted by law. Property value is determined as of January 1 of the assessment year. Property taxes are paid in the following year based on this value. Generally, changes in value that occur between the January 1 assessment date and the time the tax bill is calculated are not made.

Property that is destroyed in whole or part, or reduced in value as a result of a natural disaster after the assessment date, may be eligible for an adjustment in assessed value. The property damaged in a natural disaster must be reduced in value by 20 percent or more and be located in a Governor designated disaster area. Under these circumstances the assessed value is equal

to the value reduction due to the destruction or damage. The assessed value adjustment reduces the property tax in the following year. The property tax due in the year in which the destruction or damage occurs is not reduced.

For tax years 1998 through 2004, destroyed property or property damaged in certain disaster areas also received tax reductions during the year in which the destruction or damage occurred. The amount of the tax reduction was proportional to the time remaining in the year after the destruction or damage occurred.

Summary of Substitute Bill:

Property that is destroyed and property reduced in value by 20 percent by a natural disaster after the assessment date, may receive tax reductions during the year in which the destruction or damage occurred. The amount of the tax reduction is proportional to the time remaining in the year after the destruction or damage occurs. The natural disaster area may be declared by the county legislative authority. The tax relief is not available for property that is destroyed or damaged voluntarily.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) This bill reinstates the law that allowed a prorated reduction in the current year's property tax for property that is destroyed during the year. Seven years ago landslides destroyed 139 homes in Cowlitz County. The law that was adopted to address these issues sunsetted with tax year 2004. This bill will assist the public when they have had their property damaged.

(Concerns) It is unclear why the requirement that the Governor declare the area as a disaster area has been removed. The removal of this requirement is not necessary.

Testimony Against: None.

Persons Testifying: (In support) Representative Takko, prime sponsor; Dianne Dovey and Patricia Costello, Washington Association of County Assessors; and Michelle Hagen, Washington Association of County Officials.

(Concerns) Tom McBride, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.