

SENATE BILL REPORT

SB 5368

As of January 26, 2009

Title: An act relating to making provisions for all counties to value property annually for property tax purposes.

Brief Description: Making provisions for all counties to value property annually for property tax purposes.

Sponsors: Senators Prentice, Parlette, Fraser, Regala, Shin and Keiser.

Brief History:

Committee Activity: Ways & Means: 1/28/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Article 7, Section 1 of the State Constitution provides that all taxes must be uniform on the same class of property. This means that taxes must be the same on property of the same value and requires both an equal rate and equality in valuing the property taxed. Further, assessed value must be equal to 100 percent of the fair market value of the property, unless the property qualifies under a special tax relief program.

Property subject to property tax is assessed at its true and fair value. In most cases, this is the market value in the property's highest and best use. The values are set as of January 1. These values are used for determining property bills to be collected in the following year.

County assessors establish new assessed values on a regular revaluation cycle. The length of revaluation cycles vary by county. Seventeen counties revalue every four years, one county uses a three-year revaluation cycle and one county is on a two-year schedule. For these counties a proportionate share of the county is revalued during each year of the cycle. Individual property values are not changed during the intervening years of the revaluation cycle. Twenty counties are on a program of annual updates. Values are adjusted annually based on market value statistical data.

Until June 30, 2010, the county treasurers collect a \$5 fee on transfers of real estate. The fee is deposited into the Real Estate Excise Tax Electronic Technology Account. The funds from the fee are to be used exclusively for the development, implementation, and

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maintenance of a electronic processing and reporting system for real estate excise tax affidavits.

Summary of Bill: By January 1, 2014, all counties must revalue real property annually. The Department of Revenue provides guidance and financial assistance to counties converting to annual revaluations. Upon request, the Department of Revenue must assist counties in the valuation of industrial property estimated to exceed \$25 million.

The Department of Revenue will operate a grant program to assist counties with converting to annual revaluations and for replacing computer systems used for revaluations that are no longer supported by the vendor. Grants are limited to \$500,000 per county. The Annual Property Revaluation Grant Account is created for this purpose.

The \$5 fee on transfers of real estate is extended from July 1, 2010, until December 31, 2013. During this time, the fee is deposited into the Annual Property Revaluation Grant Account.

Appropriation: None.

Fiscal Note: Requested on January 21, 2009.
[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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