

SENATE BILL REPORT

SB 5368

As Reported by Senate Committee On:
Ways & Means, February 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, 2/26/09 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5368 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

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

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

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

DOR 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.

Beginning 2014 the \$5 fee will go to the counties for maintenance and operation of real estate excise tax processing and for annual revaluation. Three quarters of the funds are divided equally among the counties and one quarter is to be divided ratably.

DOR must work with a county that has the technology ready to convert to revaluation but needs the expertise to do the conversion. This is to be accomplished by December 31, 2009.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Beginning 2014 the \$5 fee will go to the counties for maintenance and operation of real estate excise tax processing and for annual revaluation. Three quarters of the funds are divided equally among the counties and one quarter is to be divided ratably.

DOR must work with a county that has the technology ready to convert to revaluation but needs the expertise to do the conversion. This is to be accomplished by December 31, 2009.

Appropriation: None.

Fiscal Note: Available.

[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.

Staff Summary of Public Testimony on Original Bill: PRO: We support annual revaluation as it promotes accurate true and fair market value. The realtors support this legislation as it promotes a better understanding of the tax structure. This will help prevent the shock value that comes from multi-year cycles. The only problem with the bill that I have is that the language says that the DOR may assist with industrial appraisals. We would like them to have to do them upon request. The counties support annual revaluation. This is very important for the Association of Washington Cities.

Persons Testifying: PRO: Pam Rushton, Clallam County; Russ Griffith, Chelan County Assessor; Robert Carlton, WACO; Jack Westerman, Jefferson County Assessor; Amber Carter, Jim Justin, Association of Washington Business; Terri Jeffreys, Realtors; Scott Merriman, Association of Washington Counties.