

HOUSE BILL REPORT

HB 1040

As Reported by House Committee On:
Finance

Title: An act relating to real property valuation notices.

Brief Description: Concerning real property valuation notices.

Sponsors: Representatives Takko and Upthegrove.

Brief History:

Committee Activity:

Finance: 2/6/14, 2/11/14 [DP3S].

Brief Summary of Third Substitute Bill

- Authorizes county assessors to, for certain residential properties, combine land and improvement values on annual real property value notices that inform taxpayers of changes in real property and improvement values.

HOUSE COMMITTEE ON FINANCE

Majority Report: The third substitute bill be substituted therefor and the third substitute bill do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

Staff: Richelle Geiger (786-7175).

Background:

All real property in Washington that is subject to taxation must be listed and assessed annually by the county assessor. Unless provided otherwise by law, the property must be valued at 100 percent of its true and fair value, and assessed on the same basis.

The assessor must begin preliminary assessment work by each December 1 and must generally complete all listing and valuation duties by May 31. In completing this work, the

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assessor must determine, as nearly as practicable, the true and fair value of the land and improvements located on the land.

With limited exceptions, the assessor must notify the taxpayer by mail of any change in the true and fair value of the real property and any land improvements within 30 days after appraisal. The notice, which is commonly referred to as a value notice or revaluation notice, must contain a statement of the prior and new true and fair value, separately stating land and improvement values. The value notice must also include other information, including information regarding an appeal of the assessor's value determination to the local county board of equalization. Value notices do not need to be sent if the true and fair value of the real property has not changed after a completed appraisal.

The Department of Revenue (DOR) has adopted, by rule, a standard two-digit land use code that is used by it and county assessors to identify the actual use of land. Counties may elect to use a more detailed land use code system that includes additional digits, but a county system may not use fewer than the standard two digits. Examples of the standard two-digit land use code are as follows:

- 11 - household, single family units;
- 12 - household, two-four units;
- 13 - household, multi-units (five or more);
- 14 - residential condominiums; and
- 15 - mobile home parks or courts.

Summary of Second Substitute Bill:

County assessors may, for certain residential properties, combine land and improvement values on annual real property value notices that inform taxpayers of changes in real property and improvement values. The option to combine values is limited to single family residential units, multi-family residential units for four or fewer families, and residential condominiums that qualify as land use codes 11, 12, and 14 according to the standard two-digit land use code of the DOR, as applied by counties.

Third Substitute Bill Compared to Original Bill:

County assessors may only combine the improvement and land value on the notice for land that includes residential condominiums.

Appropriation: None.

Fiscal Note: Available from 2013.

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

Staff Summary of Public Testimony:

(In support) This bill reduces the confusion many taxpayers experience when they receive their property tax statement. A taxpayer can only appeal the total value of their property. Many taxpayers try to appeal a portion of their property taxes, as the separation of the land and improvement values on property tax statement gives the appearance that these two values are independent of one another. County assessors receive many phone calls from landowners who disagree with one portion of their property valuations.

This bill also reduces confusion for assessors. In many cases, the value of land is difficult to separate from the value of the improvements. This is especially challenging in valuing the land associated with condominiums.

(Opposed) There is a better way to deal with confusion regarding property value appeals than to withhold information from property owners. More information is better. By separating the land and improvement values, property owners can more easily understand the judgment made by the assessor while appraising their property.

Appeals on tax property valuations are already difficult for taxpayers. They face a high burden of proof and the assessor is presumed to be correct. This bill will make appeals more difficult for taxpayers, regardless of their size. The county websites are confusing and inconsistent. It is difficult to locate property valuation information without having that information identified in the property value statement.

Persons Testifying: (In support) Lloyd Hara and Peter VanNortwick.

(Opposed) Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.