

HOUSE BILL REPORT

HB 1217

As Reported by House Committee On:
Local Government
Finance

Title: An act relating to strengthening the integrity, fairness, and equity in Washington's property assessment system.

Brief Description: Strengthening the integrity, fairness, and equity in Washington's property assessment system.

Sponsors: Representatives Takko, Haigh and Ryu.

Brief History:

Committee Activity:

Local Government: 1/29/13, 1/31/13 [DPS];

Finance: 2/15/13, 2/26/13, 2/27/13 [DP2S(w/o sub LG)].

Brief Summary of Second Substitute Bill

- Requires an appellant that has filed with the county board of equalization a petition challenging the assessed value of commercial property to provide the county assessor with income and expense statements for the past two years.
- Defines the term "commercial property" as used in the section.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Takko, Chair; Fitzgibbon, Vice Chair; Liias, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 3 members: Representatives Taylor, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Buys.

Staff: Michaela Murdock (786-7289).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All real and personal property in Washington is subject to property tax and must be listed and assessed every year based on its value, unless a specific exemption is provided by law. The tax levied on a particular property is calculated by multiplying its assessed value by the tax rate.

The county assessor determines the assessed value of property in most circumstances. Property subject to property tax is assessed at 100 percent of its true and fair value in money, according to its highest and best use. "True and fair value" means market value and is the amount of money a buyer of property willing but not obligated to buy would pay a seller of property willing but not obligated to sell. This standard applies to both residential and commercial property.

The true and fair value of real property for taxation purposes may be assessed using the sales (market data) approach, the cost approach, the income approach, or a combination of the three. Under these respective approaches, the assessor considers: (1) sales within the past five years of properties comparable to the property being appraised; (2) the cost, cost less depreciation, or reconstruction cost less depreciation; and/or (3) the capitalization of income that would be derived from prudent use of the property. Assessors may require property owners to submit pertinent data regarding property in their control, including sales data, costs and characteristics of improvements, and other facts necessary for appraisal of the property.

Assessed values of property are set as of January 1 and are used in determining the property's tax bill for the upcoming year. County assessors establish new assessed values on regular revaluation cycles, which vary by county.

Property owners who dispute the assessed value of their property may petition the county board of equalization (board) for a change in the assessed value. The petition must be filed with the board on or before July 1 of the year of the assessment, within 30 days after the date of an assessment, value change notice, or other notice has been mailed, or within a time limit of up to 60 days if an extended period has been adopted by the county, whichever of the deadlines is later. The filing deadline may be waived under certain circumstances.

A petition to the board must be properly completed and timely filed. To properly complete a petition, the property owner must provide to the assessor and the board, prior to the hearing on the petition, any comparable sales, valuation evidence, or other documentary evidence that he or she intends to present at the hearing. Such documentary evidence must be filed with the petition, or if it is not available when the petition is filed, no later than seven business days before the hearing.

Additionally, the property owner may request valuation information from the assessor, who must fulfill the request within 60 days or no later than 14 business days prior to the hearing.

Summary of Substitute Bill:

Property owners challenging the assessed value of commercial property are required to provide the county assessor with income and expense statements for the three years prior to

the assessment date. The statements must be provided to the assessor within 60 days of the postmark date or personal delivery date of the petition. Property owners who fail to comply with the 60-day deadline for submitting income and expense statements are precluded from asserting error on the basis of income in challenging the assessor's valuation of the commercial property.

"Commercial property" is defined as any property except single family residences or single family residential units that are units, or are in buildings, that have not been declared or operated as apartments.

Substitute Bill Compared to Original Bill:

The substitute bill amends a statute governing county boards of equalization and the exchange of valuation criteria by taxpayers and assessors with regard to tax claims or valuation disputes. (The underlying bill amended a statute governing assessment of property and initiation by taxpayers of petitions for a change in the assessed valuation.)

Under the substitute bill, the time frame for the taxpayer to submit income and expense statements for the three years prior to the assessment date is changed from within 30 days of filing the petition to within 60 days of the postmark date or personal delivery date of the petition.

Taxpayers who fail to comply with the 60-day deadline for submitting statements are precluded from asserting error on the basis of income in challenging the assessor's valuation of commercial property.

The substitute bill removes the exclusion of condominiums, townhouses, or other similar buildings or units that have never been sold from the definition of "single-family residential unit."

Appropriation: None.

Fiscal Note: Available.

Effective Date of 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 addresses a problem that assessors have been having for a number of years regarding appeals to county boards of equalization (board) challenging the assessed value of property. The administrative code currently only requires the "timely exchange" of valuation information, but does not specify a specific timeframe. Boards have been very lenient about extending deadlines. If evidence is not provided in a timely manner, the appeal can drag on too long. Boards are currently dealing with excessive backlogs because appeals

are permitted to drag on until appellants submit all of their documentary evidence. This bill will help alleviate those backlogs.

Regarding concern about disclosure under the Public Records Act, under current law, the information appellants are required to submit is confidential. This bill will not change that confidentiality.

The current practice for assessors is to request information for the past three years. This bill puts that practice into law by requiring that income and expense statements for the past three years be submitted.

Requiring appellants to submit their statements within 30 days of filing is a reasonable amount of time.

The goal of this bill is to make sure assessors and boards have income and expense information for all appeals, not just in some cases. It allows assessors to review the valuation information, look at how they did their assessment, and make sure they did not make any mistakes. If a mistake in the assessment is discovered, an assessor can change the valuation, even before it goes to the board, and get the appeal out of the process earlier.

(With concerns) The requirement that income and expense statements be submitted within 30 days might be an onerous deadline for some appellants and it might preclude people from bringing challenges. A better practice would be to require that the information be filed in a timely manner.

Boards currently have the ability to exercise discretion in allowing additional time for submitting information. Their discretion should be trusted, because there are many good reasons for why people should be given leeway.

The Legislature should not set the minutiae of procedures as this bill proposes to do.

The requirement that appellants provide income and expense statements for the past three years could be applied too rigidly. Some people may have recently bought a commercial property and do not have statements for the past three years.

(Opposed) None.

Persons Testifying: (In support) Representative Takko, prime sponsor; and Monty Cobb, Washington Association of County Officials.

(With concerns) Arthur West.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Local Government.

Signed by 9 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Fitzgibbon, Hansen, Lytton, Pollet, Reykdal and Springer.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

Staff: Dominique Meyers (786-7150).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:

The substitute bill as recommended by the Finance Committee reduces the number of years of income and expense statements, prior to the assessment date, that a taxpayer must submit to the county board of equalization from three years to two years.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second 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 is designed to speed up the appeals process by having appellants provide materials in a timely manner. The focus is on commercial properties, which are generally valued on an income approach. By having information sooner, the goal is to resolve some cases before going to appeal. If a significant amount of information is provided only seven days before a hearing, the county may need to delay the hearing until it has sufficient time to review the information. Hearing delays are costly for all parties involved.

(Opposed) County assessors already have the tools they need to obtain the information they need. It is not clear that income information is needed for the county to do a valuation for many types of businesses. The board of equalization only requires records for two years, and the valuation is for an annual cycle. It is not clear why the county needs three years.

Persons Testifying: (In support) Representative Takko, prime sponsor; Jim Avery, Kitsap County Assessor; Diane Dorey, Lewis County Assessor; Lloyd Hara, King County Assessor; and Monty Cobb, Washington Association of County Officials.

(Opposed) Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.