
Finance Committee

SSB 5705

Brief Description: Concerning amounts received by taxing districts from property tax refunds and abatements.

Sponsors: Senate Committee on Governmental Operations (originally sponsored by Senators Brown, King and Hatfield).

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Authorizes county treasurers to reimburse taxing districts for taxes that are cancelled.

Hearing Date: 3/25/13

Staff: Jeff Olsen (786-7175).

Background:

Property Tax Limits.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. In addition to the 1 percent levy limit, there is a 1 percent cap on the revenues a taxing district can receive each year based on the highest amount levied in the past three years. An individual taxing district with a regular property tax levy must adhere to both the statutory rate limits and the revenue limit.

Property Tax Refunds and Abatements.

A county tax refund levy is authorized to compensate for property tax refunds that are made. The refund levy includes refunds from both regular and excess levies. These refund levies are subject to the district's statutory rate limit, and they can only be made to the extent the district is below its maximum rate. However, refund levies are not limited by the 1 percent levy limit.

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.

Property tax refunds are made for a number of reasons including: clerical errors in extending the tax rolls; errors in listing the property; property that is condemned; and valuation changes ordered by the State Board of Tax Appeals (Board). In addition, if property taxes are abated due to the destruction of property, the county treasurer may reimburse a taxing district.

Highly Disputed Property.

Whenever a property value, claim for exemption, or cancellation of a property assessment is appealed to the State Board of Tax Appeals or court of competent jurisdiction, and the value in dispute exceeds one-fourth of 1 percent of the total assessed value in the county, the county assessor shall use only that portion of the value which is not in controversy when computing the levy rates. When the Board or the court makes its final determination, the proper amount shall be collected for each taxing district.

Summary of Bill:

The county treasurer may reimburse a taxing district for taxes that are cancelled. The amount reimbursed is offset by any supplemental property taxes collected, excluding amounts collected on highly disputed property. Clarifying language is added that the refund levy and reimbursements from cancelled taxes are not subject to the 1 percent levy limit.

Appropriation: None.

Fiscal Note: Requested on March 22, 2013.

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