

SENATE BILL REPORT

SB 5875

As Reported by Senate Committee On:
Government Operations & Security, February 19, 2015

Title: An act relating to Washington's property assessment appeal procedures.

Brief Description: Concerning Washington's property assessment appeal procedures.

Sponsors: Senators Frockt, Mullet, Miloscia, Hasegawa, Hobbs, Chase, Keiser, Pedersen, Fraser, Kohl-Welles, McCoy, McAuliffe and Darneille.

Brief History:

Committee Activity: Government Operations & Security: 2/12/15, 2/19/15 [DPS].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Majority Report: That Substitute Senate Bill No. 5875 be substituted therefor, and the substitute bill do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Pearson, Vice Chair; Liias, Ranking Minority Member; Dansel, Habib and McCoy.

Staff: Karen Epps (786-7424)

Background: All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law. The county assessor determines assessed value for each 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 the following: (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. By administrative rule, 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. Property subject to property tax is assessed at its true and fair value.

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

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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.

When a petition is filed with the Board for review of a tax claim or valuation dispute, the county assessor must make available to the taxpayer upon request a compilation of comparable sales and other valuation criteria, if any, utilized by the assessor in establishing the property's valuation. Within 60 days of a taxpayer's request, but at least 14 business days prior to a taxpayer's appearance before the Board, the county assessor must make the requested information available to the taxpayer, as well as provide to the taxpayer and the Board any new evidence supporting the county assessor's valuation, if applicable.

A taxpayer who lists comparable sales on the notice of appeal must not subsequently change those sales, unless the taxpayer has found new evidence supporting the taxpayer's proposed valuation. The taxpayer must provide any additional evidence to the county assessor and the Board at least seven business days prior to the hearing. If assessor or the taxpayer fail to follow the requirements for submitting evidence, the Board may continue the hearing or refuse to consider sales not submitted in a timely manner.

Summary of Bill (Recommended Substitute): Within 60 days from the date a petition is submitted challenging the assessed value, determined using an income capitalization approach, of commercial property, the taxpayer must submit rental income and expense statements for the preceding two years. A taxpayer who fails to submit this information to the Board within 60 days from the date the petition is filed may not challenge the income and expense information used by the county assessor in determining or supporting the assessed value under an income capitalization approach.

The term commercial property is defined to include any real property, except a single-family residential property; or a townhouse, manufactured home, or unit within a residential condominium that is not operated as an apartment.

EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS & SECURITY COMMITTEE (Recommended Substitute): Establishes that if a petition challenging the assessed value of leased commercial property is filed with the county board of equalization and the assessed value was determined using an income capitalization approach, the taxpayer must submit to the Board rental income and expense statements for the two years prior to the assessment date.

Appropriation: None.

Fiscal Note: Not requested.

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: Clarification in this bill to require rental income and expense statements when the income valuation approach is used

makes sense because then it is clear that the petition challenging the assessed value is dealing with the income valuation approach and the taxpayer would need to submit rental income and expense statements. For properties that are income valued, it should be clear that rental and expense statements should be submitted. This information can and will be held in confidence by the assessor. During the hearing, everyone else can be excluded from the room when information contained in the rental income and expense statement is discussed. Assessors using the income valuation approach are looking at rental income from the previous year, which would have been included in income tax statements, so taxpayers should have this information and it should not be a burden for them.

CON: This bill includes changes from previous bills and those are appreciated. This bill requires two years of data rather than three years of data. The statute allows the assessors to collect data where there is legitimate need. Apartment buildings will have rental data that is relevant to the valuation of the property, but this information is not relevant with manufacturing sites. Supplying this information could be misconstrued as a valuation of the business rather than the property. Retaining the legitimate need language is important for the type of information that is being requested because it is time intensive to submit this information that would not be relevant. It is also important to maintain confidential taxpayer information as protected information, things like income and expense statements.

Persons Testifying: PRO: Bob Mitchell, WA Commercial Realtors; Lloyd Hara, King County Assessor.

CON: Amber Carter, Assn. of WA Business.