

HOUSE BILL REPORT

SSB 5368

As Reported by House Committee On: Finance

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: Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Parlette, Fraser, Regala, Shin and Keiser).

Brief History:

Committee Activity:

Finance: 3/17/09, 3/26/09 [DPA].

Brief Summary of Substitute Bill (As Amended by House)

- Requires all counties to revalue real property annually by January 1, 2014.
- Extends the \$5 fee on transfers of real estate after July 1, 2010 to provide funding to assist counties with converting to annual revaluations, replacing computer systems used for revaluations, and for maintaining and operating electronic real estate excise tax processing and reporting systems and annual revaluations of real property.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Condotta, Conway, Ericks, Santos and Springer.

Minority Report: Without recommendation. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member.

Staff: Rick Peterson (786-7150)

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.

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 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 (Account). The funds from the fee are used exclusively for the development, implementation, and maintenance of an electronic processing and reporting system for real estate excise tax affidavits. Any funds in the Account not spent by July 1, 2015 are transferred to the county's capital improvement fund.

Summary of Amended Bill:

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.

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. The 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 \$5 fee is continued after January 1, 2014. The fee revenue will be deposited in a county special real estate and property tax administration assistance account and used for maintenance and operation of an electronic real estate excise tax processing and reporting system and for annual revaluations. One-half of the fee revenue will be directly deposited by the county into the special account for this purpose. One-half of fee revenue will be sent to the State Treasurer. The State Treasurer will distribute one-half of this revenue in equal shares to the 39 counties. The other half will be distributed back to the counties in proportion to the population of each county.

Fee revenue remaining in the Account that is unspent will be deposited in the Special Real Estate and Property Tax Administration Assistance Account. This will occur on the earlier of July 1, 2015 or the time when the county treasurer is using an electronic processing and filing system that is compatible with the processes used by the DOR and the county assessor.

The 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.

Amended Bill Compared to Original Bill:

The amended bill allows money in the county Real Estate Excise Tax (REET) Electronic Technology Fund to revert before July 1, 2015, to be used for maintenance and operation of a county annual revaluation system or e-REET processing and reporting system. The distribution of the \$5 fee is modified beginning July 1, 2014, by: (1) allowing counties to retain one-half of the fee; and (2) changing the disbursement percentage from the State Treasurer from 75 percent to 50 percent for equal distribution to the counties of the fee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) When counties do cyclical valuations some homeowners may get a valuation when the prices are rising, but not be able to adjust downward when the prices go down. With some counties currently doing annual valuations and some doing cyclical, the annual counties end up subsidizing the cyclical counties. The Legislature cannot make do any meaningful reform on property tax without amending the State Constitution. This bill is the next best thing to try to get to statewide annual property evaluations, which will more accurately reflect the current economic status and provide for more uniformity.

(Opposed) None.

Persons Testifying: Senator Parlette; Robert Carlton, Washington Association of County Officials; Jack Westerman, Jefferson County Assessor; Terry McLaughlin, Cowlitz County Assessor; Val Wood, King County Record and Licensing Systems; James McMahan, Washington Association of County Officials; and Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.