

HOUSE BILL REPORT

ESHB 2485

As Amended by the Senate

Title: An act relating to reducing property tax assessments in response to government restrictions.

Brief Description: Reducing property tax assessments in response to government restrictions.

Sponsors: By House Committee on Government Operations (originally sponsored by Representatives H. Sommers, Rust, Reams, Scheuerman, Regala, Kessler, Costa, Chopp, Murray, Conway, Valle, Tokuda, Basich, Wolfe, Patterson, Dellwo and Linville).

Brief History:

Committee Activity:

Government Operations: 1/26/96, 2/2/96 [DPS].

Floor Activity:

Passed House: 2/12/96, 97-0.

Senate Amended.

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Reams, Chairman; Cairnes, Vice Chairman; Goldsmith, Vice Chairman; Rust, Ranking Minority Member; Scott, Assistant Ranking Minority Member; Conway; R. Fisher; Hargrove; Honeyford; Hymes; Mulliken; Scheuerman; D. Schmidt; Van Luven and Wolfe.

Staff: Steve Lundin (786-7127).

Background: A single property tax cycle, during which property taxes are imposed and collected, involves a number of steps taken over a number of years. Property tax cycles overlap so that at any time, one tax cycle is ending, a second tax cycle is partially completed, and a third tax cycle is beginning. Among others, the following steps take place in any tax cycle: (1) boundaries of taxing districts are established; (2) property values are established; (3) property taxes are imposed; (4) property taxes are collected; and (5) the lien for any delinquent property taxes is foreclosed on any property for which property taxes are delinquent.

County assessors determine the assessed value of most property that is subject to property taxes. The assessed value is defined to be 100 percent of the property's true and fair value. In addition, the appraisal of real property must be

"consistent with the comprehensive land use plan, development regulations, zoning, and other governmental policies or practices in effect at the time of appraisal that affect the use of property, as well as physical and environmental influences."

Each county assessor is required to establish an active program to revalue all real property in the county at least once each four years; that includes a physical inspection of property at least once each six years.

The county assessor is required to mail a notice of any change in true and fair value of real property and any improvements on the real property to the taxpayer within 30 days of the appraisal. Provisions are made for the owner or person responsible for paying taxes on any property to petition the county Board of Equalization for a change in the assessed valuation. An appeal must be filed with the Board of Equalization on or before July 1 of the year of the appraisal or within 30 days after the notice of a change in assessment was mailed, whichever is later. The Board of Equalization hears the appeal and renders its decision.

Any taxpayer or taxing district feeling aggrieved by the decision of a county Board of Equalization may appeal the decision to the state Board of Tax Appeals within 30 days of when the decision was mailed to the taxpayer. The Board of Tax Appeals hears the appeal and renders its decision. Decisions of the Board of Tax Appeals are appealable to superior court.

Provisions are made to refund property taxes that were paid in a variety of circumstances, including whenever the property taxes were paid more than once, paid as a result of manifest error, paid as a result of clerical errors in the listing of property, or paid on the basis of a higher assessed valuation that was reduced by action of the county Board of Equalization, the state Board of Tax Appeals, or court action.

Summary of Bill: A new process is established for a property owner or person responsible to pay property taxes to appeal directly to the county assessor to reconsider valuation of real property, if a government entity adopts a restriction on the property that limits the use of the property.

The assessor must reconsider the valuation of the property within 120 days of when the request to reconsider the valuation was made.

Unless the property would otherwise be revalued that year as a result of the revaluation cycle or new construction, the valuation of the property shall not be increased as a result of this revaluation. If the new valuation is established after June 1 in any year, the new valuation shall be used for purposes of imposing property taxes in the following year. The action of the assessor revaluing the property is appealable to the county Board of Equalization.

A request to reconsider property valuation under this new process must be made within three years of when the government entity adopts the restriction.

If the assessor reduces a property valuation using the new process, the property owner is entitled to a refund on property taxes for each year after the restriction was adopted, not to exceed three years, that the property owner paid taxes on the higher valuation. The amount of the refund in each year is the amount of the reduced valuation of the property for that year multiplied by the applicable tax rate for that year.

EFFECT OF SENATE AMENDMENT(S): Instead of establishing a new process for a property owner to request the assessor to reduce the valuation of his or her property in response to restrictions placed on the use of the property, the existing "manifest error" process is expanded to allow the assessor to reduce the valuation of property in response to the adoption of land use restrictions on the property.

Under the expanded "manifest error" process, a taxpayer presents proof to the assessor that an authorized land use authority made a "definitive" change in the property's land use designation. In response, the assessor may reduce the valuation of the property on a previously certified assessment roll if the assessor and the taxpayer sign a written agreement on the true and fair value of the property that sets forth the information upon which the agreement is based.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is one of a number of bills addressing concerns over taxing property after land use restrictions have been increased.

Testimony Against: The 60-day time period is too short. Without clarification, it is possible that under the language of the original bill values could not be increased during the normal revaluation cycle if someone requested reconsideration of his or her value.

Testified: Representative Rust, secondary sponsor; and Fred Saeger, Washington Association of County Officials.