

HOUSE BILL REPORT

EHB 2951

As Passed House:

February 12, 1996

Title: An act relating to reducing property taxes while preserving fair market value as the proper basis of property taxation.

Brief Description: Reducing property taxes while preserving fair market value as the proper basis of property taxation.

Sponsors: Representatives Carrell, B. Thomas, Chandler, Pennington, Smith, Campbell, Dyer, Mulliken, Pelesky, L. Thomas, Cooke, Thompson, Lisk, Foreman, Huff, Benton, Cairnes, Van Luven, Blanton, D. Schmidt, Radcliff, Brumsickle, Talcott, Backlund, Casada, Sherstad, Boldt, Hymes, Lambert, Beeksma, Delvin, Stevens, Johnson, Sterk, Carlson, Schoesler, Sheahan, Honeyford, Buck, Robertson, McMahan, D. Sommers, Silver, Skinner, Fuhrman, McMorris, Mastin, Koster, Hargrove, Ballasiotes and Sheldon.

Brief History:

Floor Activity:

Passed House: 2/12/96, 75-22.

Staff: Rick Peterson (786-7150).

Background: All real and personal property in this state is subject to the property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

Property Tax Limits. The sum of property tax rates is limited by the state constitution to a maximum of 1.0 percent of true and fair value, or \$10 per \$1,000 of value. The constitution provides a procedure for voter approval of tax rates that exceed the 1 percent limit. These taxes are called "excess" levies. Taxes imposed under the 1 percent limit are termed "regular" taxes. Regular taxes do not require voter approval.

In 1971, the Legislature imposed a statutory lid on regular property tax increases. Regular taxes subject to the limit include the state, counties, cities, port districts, fire protection districts, library districts, metropolitan park districts, and public hospital districts. The 106 percent levy limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district.

The limit for each year is the sum of 106 percent of the highest amount of property taxes levied in the three most recent years, plus an amount equal to last year's tax rate multiplied by the value of new construction. There are some exceptions and adjustments allowed to the limit.

The 106 percent limit does not apply to voter-approved excess levies, such as local school M&O levies and levies to retire bond issues. The 106 percent limit does not limit an individual taxpayer's property taxes to 6 percent growth per year, or limit an individual taxpayer's assessed value to 6 percent growth per year.

Property Tax Notices and Disclosures. County assessors establish new assessed values on a regular revaluation cycle. The values are set as of January 1. These values are used for calculating property bills to be collected in the following year. Notices of valuation changes are mailed to taxpayers. A bank or other institution which pays the property tax on behalf of the property owner is required to provide the owner's name and address to the assessor upon the assessor's request.

Property taxes are collected by the county treasurer in which the property is located. The county treasurer is required to notify the taxpayer of the amount of tax owed. The following information is required: the value of the real and personal property, the amount of current and delinquent property tax, the name and amount for each district levying a tax.

The treasurer sends the tax bill to the property owner or the institution paying the tax in cases where the owner has taxes paid from an account kept by that institution.

Property Tax Appeals. County boards of equalization provide the first level of appeal for property owners who dispute the assessed value of their properties. Appeals of county boards of equalization decisions are taken to the state Board of Tax Appeals.

County boards of equalization ensure all parcels of property are valued correctly by ruling on appeals of property owners who believe their properties have been incorrectly assessed and by examining the county assessment roll and "equalizing" the property values. The board is required to equalize each property value to its true and fair market value. In some cases, the board may set a value higher than the value listed by the assessor.

Property Tax Due Dates. Property taxes are due on April 30 each year. If one half the tax is paid by April 30, then the other half is due on October 31. However, if the first half property tax payment is not made on time, the entire tax is delinquent and interest is charged at the rate of 12 percent per year (1 percent per month). If the tax bill is below \$30, then all the tax must be paid by April 30.

Until 1897, property taxpayers only made one payment for taxes so there was no distinction between the first and second half-payment. After 1897, taxpayers were allowed to make two payments but if late on the first payment interest was due on the entire tax bill. In 1931, the Legislature changed the law and charged interest only on the first half-payment when it was late. In 1949, the Legislature again changed the law and applied interest to the entire tax bill if the first half payment was late.

Current Use Property Taxation. Property meeting certain conditions may have property taxes determined on current use values rather than market values. There are five categories of lands that may be classified and assessed on current use. Three categories are covered in the open space law: open space lands, farm and agriculture lands, and timber lands; and two are in the timber tax law: classified and designated forest land.

Summary of Bill: *Property Tax Limits.* The state property tax for collection in 1997 is reduced by 5 percent. The reduced 1997 levy will be used for future state levy calculations under the 106 percent levy limit.

The 106 percent limit is changed to the lesser of (a) 106 percent or (b) 100 percent plus the percentage change in the United States Consumer Price Index. This change applies only to regular property taxes for the state, cities, county general expense levies, county road levies, port district levies, and public utility district levies. The change is first effective for 1997 property taxes.

Property Tax Notices and Disclosures. A bank or other institution paying property taxes on behalf of a property owner must forward a copy of the revaluation notice to the property owner. The county treasurer must send a copy of the tax bill to the property owner in cases where an institution is paying the tax for the owners. The information required on property tax bills is expanded.

Property Tax Appeals. A county board of equalization cannot raise the valuation of any property that is the subject of an appeal filed by a property owner.

Property Tax Due Dates. The property tax bill is separated into a first half-payment due on April 30 and a second half-payment due on October 31. If the first half-payment is not made on time, only that portion of the tax is delinquent rather than the entire tax bill.

Current Use Property Taxation. Farm and timber lands taxed on current use are exempt from property tax if they are precluded from being used for growing crops or harvesting timber because they are within buffer areas next to wetlands.

The revaluation notice and tax bill information changes are effective for taxes collected in 1998. The other changes are effective for taxes collected in 1997.

Appropriation: None.

Fiscal Note: Not requested.

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