SENATE BILL REPORT

SB 6775

As Reported By Senate Committee On:
Ways & Means, March 7, 1996

Title: An act relating to property tax relief for destroyed property.

Brief Description: Providing property tax relief for destroyed property.

Sponsors: Senators Sutherland, Swecker, Haugen, Quigley, Wojahn, Goings, Spanel, Rasmussen, Fraser and Kohl.

Brief History:
Committee Activity: Ways & Means: 3/7/96 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6775 be substituted therefor, and the substitute bill do pass.
Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Pelz, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

Background: All real and personal property in this state is subject to the property tax every year based on its value unless a specific exemption is provided by law. Property is valued on January 1 of the year for existing property and July 31 for new construction. This is known as the assessment year. Taxes are levied at the end of the assessment year on this value and are due on April 30 of the next 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 of the 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, in any year, property is either destroyed in whole or in part, or is in a disaster area declared by the Governor and has been reduced in value by more than 20 percent, the taxpayer may apply to the assessor for a reduction in value for the assessment year. However, the assessor may reduce the value of the property for the assessment year without application.

A person who is at least 60 years old or is retired from regular employment because of physical disability and whose disposable household income is $34,000 or less may defer payment of all property taxes and special benefit assessments imposed on the person's principal residence. Applications must be filed with the assessor at least 30 days before the tax or assessment is due. Amounts deferred may accumulate up to 80 percent of the homeowner's equity and become a lien on the property in favor of the state. Upon death, change in use, or eventual sale of the property, the full amount of the deferred taxes and special benefit assessments is due, along with interest at 8 percent per year.

Summary of Substitute Bill: Real property taxes and special assessments on property that is destroyed in whole or in part during the year, or that is in a disaster area declared by the Governor and has been reduced in value by more than 20 percent in that year, may be deferred for two years. Application is made to the county assessor no later than 30 days before the tax or assessment is due, except the Department of Revenue may waive this requirement for good cause.

Local taxing districts are reimbursed for the deferred taxes by the Department of Revenue, and all deferred taxes become a lien on the property in favor of the state.

Deferred taxes are payable, with interest at 8 percent:

1) On January 2 of the third year following the year of the deferral;

2) Upon sale of property;

3) Upon the death of the claimant;

4) Upon the condemnation of property; or

5) Upon failure of the claimant to keep fire and casualty insurance in sufficient amount to protect the interest of the state.

The flood victims' relief account is created to reimburse taxing districts for deferred taxes. $5,740,000 is transferred into the account.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: $5,740,000 from the flood victims' relief account.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: None.

Testified: No one.