

# HOUSE BILL REPORT

## HB 1657

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**As Reported by House Committee On:**  
Local Government

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

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

**Sponsors:** Representatives Takko, Springer, Tarleton, Hudgins, Sullivan, Magendanz, Walkinshaw, Stokesbary, Bergquist, Goodman, Cody, Stanford, Gregerson, S. Hunt, Rodne and Wylie.

**Brief History:**

**Committee Activity:**

Local Government: 2/4/15, 2/11/15 [DP].

**Brief Summary of Bill**

- Requires a taxpayer to submit rental income and expense statements for the two preceding years, or else waive related challenges, within 60 days of filing a petition challenging the assessed value of leased commercial property.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass. Signed by 5 members: Representatives Takko, Chair; Gregerson, Vice Chair; Fitzgibbon, McBride and Peterson.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Taylor, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; McCaslin and Pike.

**Staff:** Michaela Murdock (786-7289).

**Background:**

Each year, all real and personal property subject to taxation must be listed and assessed, with reference to its value or its value and ownership. In general, all property must be valued at 100 percent of its true and fair market value and assessed on the same basis. Market value is

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the amount of money that a willing and unobligated buyer is willing to pay a willing and unobligated seller.

For real property, the county assessor (assessor) must determine and enter on the assessment list and tax roll: (1) the true and fair value of each tract or lot of land; (2) the true and fair value of the improvements on each tract or lot of land; and (3) the 100 percent valuation of the land and improvements. In addition, the assessor must make an alphabetical list of all persons in the county liable to assessment of personal property and require each person to make a correct list and statement of the property. Upon receipt of the list and statement, the assessor must determine the true and fair value of the property and enter 100 percent of the value on the assessment roll.

#### Property Valuation Methods.

The assessor values real property using one or a combination of three professional appraisal models: (1) the market or sales comparison; (2) the cost approach; or (3) the income capitalization approach for income producing property. Under the income capitalization approach, an assessor estimates the value of an income-producing property by capitalization of the annual net operating income expected to be produced by the property during its remaining economic life.

#### County Board of Equalization.

A county board of equalization (board) meets each year on July 15 in open session to examine and compare the returns of assessments of property within the county. The board must equalize property assessments so that each tract or lot of real property, and each article or class of personal property, is entered on the assessment list at its true and fair value, according to the measure of value used by the county assessor. The board may continue in session and adjourn from time to time during a period not to exceed four weeks. However, with the county legislative authority's approval, the board may convene at any time when the number of petitions filed exceeds statutory thresholds.

During the equalization process the board: (1) must raise the valuation of real or personal property that is returned below its true and fair value; (2) must reduce the valuation of real or personal property that is returned above its true and fair value; and (3) may review all claims for either real or personal property tax exemption as determined by the county assessor, and must consider any taxpayer appeals from the decision of the assessor. The assessor must correct the real and personal property rolls in accordance with the changes made by the board.

#### Petition to the County Board of Equalization.

The owner or person responsible for payment of taxes on any property may petition the board for a change in the assessed valuation of property, or for any other reason authorized by statute. The petition must be filed on or before one of the following dates, whichever is later: (1) on or before July 1 of the year of the assessment or determination; (2) within 30 days after the assessment, value change notice, or other notice was mailed, electronically transmitted, or otherwise provided; or (3) within a time limit of up to 60 days, as set by the county legislative authority.

When a petition is filed with the board for review of a tax claim or valuation dispute, the assessor and the taxpayer must make available or provide certain information or evidence:

- Within 60 days of a taxpayer's request, but at least 14 business days prior to a hearing before the board, the assessor must make available to the taxpayer a compilation of comparable sales, or other valuation criteria, utilized by the assessor in establishing the property's valuation.
- At least 14 business days prior to the board hearing, the assessor must provide to the taxpayer and the board any new evidence, if applicable, supporting the county assessor's valuation.
- At least seven business days prior to the board hearing, a taxpayer must provide to the assessor and the board any additional evidence, if applicable, supporting his or her proposed valuation.

If the statutory timelines for submitting evidence are not followed, the board may continue the hearing or refuse to consider untimely evidence.

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### **Summary of Bill:**

For petitions challenging the assessed value of commercial property, the taxpayer must submit rental income and expense statements for the preceding two years, or else waive challenges to income and expense information used by the assessor in determining or supporting the assessed value under an income capitalization approach. The taxpayer's rental income and expense statements must be submitted to the board within 60 days from the date the petition is filed.

The term "commercial property" is defined as including 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.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony:**

(In support) It is very frustrating for assessors when tax appeals drag on at the local level. This bill will help prevent such delay by requiring people to provide income and expense statements for commercial income property in support of their appeal by a certain date, thereby giving sufficient time for review of that information before a board hearing. Assessors are interested in getting these appeals heard and decided; it is not about winning or losing, it is about keeping the process going.

Assessors value commercial income property based on income and expense statements. Assessors need sufficient time to review these statements before going in front of the board for an appeal hearing, and sometimes petitioners will not provide the information. Lack of information is particularly troublesome for small counties, because it is difficult to obtain data from other sources. Large counties often have access to services that provide income and capitalization rate information, but such data is not readily available in smaller counties. It is important for all parties involved to have the same information, so that assessments are fair and petitioners receive a fair process.

(Opposed) None.

**Persons Testifying:** Representative Takko, prime sponsor; and Loyd Hara, King County.

**Persons Signed In To Testify But Not Testifying:** None.