

# FINAL BILL REPORT

## HB 1303

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Synopsis as Enacted

**Brief Description:** Concerning the administration of property taxes.

**Sponsors:** Representatives Street, Ramel and Reed; by request of Department of Revenue.

**House Committee on Finance**  
**Senate Committee on Ways & Means**

### **Background:**

#### Formal and Informal Tax Appeals.

Generally, when a party files an informal property tax appeal to the Board of Tax Appeals (BTA) rather than a formal appeal, the BTA decision is not appealable to superior court. Unlike excise tax appeals, the Department of Revenue (DOR) has limited authority to convert informal property tax appeals to formal appeals. As a result, when the DOR disagrees with a BTA decision in an informal property tax appeal that cannot be appealed to a court, the DOR must decide whether it will accept the BTA's decision. If the DOR decides to not accept the BTA's decision, the DOR will not apply the BTA's decision to other taxpayers or to the taxpayer who prevailed in the appeal for future time periods.

The DOR has authority to convert informal BTA decisions appealed by:

- a taxpayer or county assessor from a decision by a county board of equalization;
- a taxpayer of the DOR's determination of excise tax case; and
- a county assessor or taxpayer of the DOR's determination of a county's indicated ratio.

#### Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited to 1 percent for jurisdictions with a population of less than 10,000. For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction. There are statutory

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rate maximums for individual taxing districts and aggregate rate maximums to keep the total tax rate of regular property taxes within the state constitutional limit.

#### Correcting Levy Errors.

There are specific statutory maximum levy rates for most individual regular property tax levies. Cultural access and local school district enrichment levies are not subject to a statutory maximum levy rate. The statutory maximum levy rate for an individual levy cannot be exceeded, even when a levy error correction is being made and the error occurred through no fault of the taxing district.

#### Restoration of Property Tax Levy.

When a taxing district that has not levied since 1985 decides to restore its property tax levy, the first restored levy is calculated based on the levy amount last levied by the district multiplied by the limit factor, plus additional amounts resulting from add-ons for: new construction, construction of wind turbine, solar, biomass, and geothermal facilities, improvements to property, and increased value of state-assessed property.

#### Merged Taxing Districts.

The first levy for a taxing district created from consolidation of similar taxing districts must be set so that the regular property taxes payable in the following year do not exceed the limit factor multiplied by the sum of the amount of regular property taxes lawfully levied for each taxing district in the highest of the three most recent years in which such taxes were levied for such district, plus any additional dollar amounts calculated by multiplying the regular property tax rate of each district for the preceding year by the increase in assessed value in each district resulting from applicable add-ons: new construction, construction of wind turbine, solar, biomass, and geothermal facilities, improvements to property, and increased value of state-assessed property.

### **Summary:**

#### Formal and Informal Tax Appeals.

The DOR's ability to convert an informal property tax appeal to a formal appeal within 10 days of the date of the appeal is expanded for the following additional appeals:

- by an assessor or landowner from the DOR's general supervisory orders and boards of equalization to reconvene orders;
- by an assessor or owner of an intercounty utility or private car company from the DOR's determination of the assessed valuation of the taxpayer's operating property or the amount of assessed value apportioned to the county;
- appeals of interest rates determined by the DOR for use in valuing farmland;
- appeals from revisions to stumpage value tables by the DOR used to determine timber value; and
- appeals from the DOR's denial of a property tax exemption application.

Correcting Levy Errors.

A correction of a levy error is allowed to exceed the levy's statutory maximum levy rate in circumstances when the error is not the fault of the taxing district. If the correction of the levy error exceeds the statutory maximum levy rate of the levy if corrected in one year, then the correction must be made in a proportional basis over a period of three years.

Restoration of Property Tax Levy.

A taxing district that has not levied in the last seven calendar years or longer may levy its first restored levy up to the amount resulting in a tax rate that does not exceed the taxing district levy's statutory maximum rate limit. The tax rate for the restored levy remains subject to aggregate limitations on regular property taxes. The first restored levy is treated as if it is a first-time levy with regards to the 101 percent revenue growth limitation. Levies after the first year of the restored levy are subject to any applicable revenue growth limitation.

A taxing district that has not levied in the last six calendar years or less and wants to restore a regular property tax levy may levy its first restored levy in an amount that does not exceed the maximum levy amount that the district could have levied under the levy limits as if the district had never ceased to levy.

Merged Taxing Districts.

The first levy for a merged taxing district must be set so that the regular property taxes payable in the following year do not exceed the limit factor multiplied by the sum of the amount of regular property taxes each component taxing district could have levied since 1985, plus applicable add-ons, and a new add-on amount. The new amount added to the existing add-ons to the total levy amount is calculated by multiplying the regular property tax rate of each component district for the preceding year by the increase in assessed value in each component district resulting from any increase in the assessed value of real property within a designated increment area.

**Votes on Final Passage:**

House	95	0
Senate	49	0

**Effective:** July 23, 2023  
January 1, 2027 (Sections 4 and 6)