

HOUSE BILL REPORT

HJR 4207

*As Reported By House Committee on:
Revenue*

Brief Description: Amending the Constitution to allow the legislature to phase-in large increases in property assessments.

Sponsor(s): Representatives Wang, Horn, Heavey, Winsley, Fraser, Rust, Leonard, O'Brien, Nelson, Holland, Jacobsen, Phillips, Locke, Appelwick, Dorn, Ferguson, H. Sommers, Brekke, Wineberry, May, R. King, Paris, Wilson, Hine and Anderson.

Brief History:

Reported by House Committee on:
Revenue, March 10, 1991, DP.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *Do pass.* Signed by 11 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Day; Leonard; Morris; Phillips; Rust; and Van Luven.

Minority Report: *Do not pass.* Signed by 4 members: Representatives Belcher; Brumsickle; Morton; and Silver.

Staff: Rick Peterson (786-7150).

Background: Property subject to property tax is assessed at its true and fair value. In most cases this is the market value in the property's highest and best use. The values are set as of January 1st. These values are used for determining property bills to be collected in the following year. The constitution requires the property tax to be uniform on real estate.

County assessors establish new assessed values on regular revaluation cycles. The length of revaluation cycles vary by county. The most common length is four years although three and two year schedules are used by some counties. A proportionate share of the county is revalued during each year of the cycle. In most cases, individual property values are not changed during the intervening years of the

revaluation cycle. The change in value for an individual property follows a stair step pattern; no change in value for four years then, in one year, a change representing four years of value growth or, two or three years in case of a two or three year cycle.

Some counties are on a program of annual updates. Values are adjusted annually based on market value statistical data. In this case, a physical inspection of each property is done once every six years.

A combination of delayed value changes due to revaluation cycles and volatile real estate markets can generate substantial changes in assessed values from one year to the next.

Summary of Bill: A constitutional amendment is submitted to the people at the next general election. The amendment allows the Legislature to provide a method to phase-in the large increases in assessed value over a period of years.

Fiscal Note: Available.

Testimony For: A property value growth limit will protect property owners from unexpected rapid increases in tax bills.

Testimony Against: The value growth limit will create additional administrative difficulties for county assessors. Property should be taxed on the market value of the property. The property tax system should tax the land value and not the value of the improvements.

Witnesses: Ruthe Ridder, King County Assessor; Jack Westerman, Jefferson County Assessor; Dennis Okamoto, Director, Will Rice Assistant Director, Department of Revenue; Tony Lee, WA Assoc. of Churches; David West, WA Citizen Action; Charles Chong, Admiral Community Council; Enid Layes and John Penney, AWB; Stan Finkelstein, Assoc. of Cities; Rick Wickman, Assoc. of Counties; Ray Ryan, Cowlitz County Assessor; Fred Saeger, WA Assoc. of City Officials; Charles McNurlin, AARP; and Marvin Saillard, Meta Heller, and Hamlet Hilpert, Washington State Georgists.