

SENATE BILL REPORT

SHB 1301

AS OF APRIL 2, 1991

Brief Description: Improving property tax administrative practices.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Wang, Holland, Fraser, Horn, Rust, Brumsickle, Leonard, Ballard, Nelson, Heavey, Haugen, Winsley, Jacobsen, May, Morris, Ferguson, Appelwick, Phillips, H. Sommers, Belcher, Locke, Pruitt, Franklin, Spanel, Van Luven, Cooper, Wineberry, H. Myers, Bray, Scott and Anderson).

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates: April 1, 1991

BACKGROUND:

For property tax purposes, real property is valued at its highest and best use which is true and fair value or market value. Article VII, section 11 allows the Legislature to provide that the true and fair value of farm and agricultural land, standing timber and timberlands, and open space lands be based on their current use rather than their highest and best use.

All property is not revalued annually. State law requires counties to revalue property at least every four years. However, it allows a county to physically inspect property every six years if the county adjusts the valuation of property statistically every year.

Thirteen counties are on a six-year cycle. Two counties, King and Douglas, are on two-year revaluation cycles. The other 24 counties revalue every three or four years.

Real property appraisers employed by county assessors are required to: (1) have a high school diploma or pass a high school equivalency exam, (2) have at least one year of experience in transactions involving assessment or appraisal or real property, (3) be knowledgeable in repair and remodeling of buildings and improvements to land and the significance of location to the value of real property, and (4) be knowledgeable in the Department of Revenue's standards of real property appraisal. No person may assess real property for tax purposes without passing an examination covering items (3) and (4). The examination is administered

by the Department of Personnel and prepared with the advice of the Department of Revenue.

SUMMARY:

All counties are required to establish an annual valuation adjustment schedule with physical inspections of property at least once every six years. Counties are given until the assessment year for 1996 taxes to comply with the annual revaluation schedule.

The Department of Revenue is required to prepare a clear and succinct explanation of the property tax system including information on the assessment process, appeal rights, determination of district levy rates and available property tax relief programs. Copies are to be made available through county assessors' offices.

Property appraiser qualifications are changed. The high school graduation or equivalent requirement is eliminated. The Department of Revenue is to establish by rule additional minimum requirements for real property appraisers. The Department of Revenue is given complete responsibility for preparing and administering the examination. Also, the Department of Revenue may establish continuing education requirements for real property appraisers.

The Department of Revenue is directed to study the administration of the property tax system. The study shall include an examination of the implementation of the annual revaluation requirement, data processing capability of county assessors, effectiveness of county boards of equalization, the adequacy of auditing tax relief programs, and the fiscal impact of property tax reform legislation on individual taxing districts. The department is directed to report the findings of the study to the legislative committees on revenue by November 30, 1991.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill takes effect immediately except (1) the annual revaluation requirement is effective January 1, 1995, (section 2) and changes to the property appraiser requirements are effective July 1, 1992 (section 5).

TESTIMONY FOR:

This is a key bill that has the support of the business community. Annual revaluations provide some smoothing of values. The annual valuation requirement is phased in, and the bill contains a study which will help to develop the necessary software. Annual revaluation requires an accurate database which many counties do not have. Counties want

annual revaluation because property that decreases in value will not have a high tax value for more than a year.

TESTIMONY AGAINST: None

TESTIFIED: Representative Art Wang (pro); Fred Saeger, Association of County Officials (pro); Rick Wickman, Association of Washington Counties