

**SENATE BILL REPORT**

**SB 5195**

**AS PASSED SENATE, JANUARY 25, 1991**

**Brief Description:** Using 1989 property valuations and assessments for 1991 property taxes.

**SPONSORS:** Senators McDonald, Hayner, Bluechel, Cantu, Roach, von Reichbauer, Oke, Thorsness, Metcalf, Johnson, Erwin, West, Nelson and Conner.

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Johnson, Matson, Metcalf, Murray, Newhouse, Owen, Smith, L., and West.

**Minority Report:** Do not pass.

Signed by Senators Kreidler, L., Niemi, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** January 23, 1991

**BACKGROUND:**

All real and personal property in this state is subject to the property tax based on 100 percent of its fair market value unless otherwise provided by law.

The responsibility for valuing property lying wholly within individual county boundaries lies with the county assessor. The responsibility for valuing intercounty, interstate, and foreign utility companies lies with the state Department of Revenue. State law requires counties to revalue property at least every four years.

For tax purposes, property is assessed on its value on January 1 of the assessment year for collection in the next year.

The markets for real estate in some areas of the state have recently experienced substantial volatility. This volatility was fueled by speculative buying and a temporary shortage of available property. For example, residential real estate listings in King and Snohomish counties, which had exceeded 13,000 in early 1989, declined to 6,800 in December 1989 and rebounded to over 21,000 in September 1990. Average sales prices increased by 46 percent during this period and have recently fallen as listings have increased.

In these areas, the shortage in available property coincided with the January 1 assessment date, resulting in dramatic and

sudden increases in property tax values. In addition, rapid fluctuations in the real estate market have an arbitrary and disparate effect on the valuation of properties during the revaluation cycle, producing unequal valuations and disparities among properties.

The resulting property tax increases produce unanticipated tax burdens for many taxpayers.

**SUMMARY:**

For 1991 taxes, the county assessor is required to use the 1989 assessed value of real property instead of the 1990 assessed value if directed by a resolution of the county legislative authority pursuant to a determination by the authority that 1990 assessments reflect substantial volatility in the real estate market in the county.

New construction and improvements to property made after the 1989 assessment year are valued and assessed with reference to the value the property would have had on January 1, 1989.

Property in the county that is assessed by the Department of Revenue is also valued and assessed with reference to its 1989 value.

The calculation of the 106 percent limit on regular levies of a taxing district or the amount of bonding authority in a taxing district is not affected.

The bill expires January 1, 1992.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

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

**TESTIMONY FOR:**

Although these large property valuation increases are temporary, the large tax increases will cause hardship to many people. No school levies will pass if the high valuations remain. People are being taxed out of their homes and are desperate and afraid. Something must be done.

**TESTIMONY AGAINST:**

There is concern over any bill which would change assessments from 100 percent of market value. There is concern over the lack of standards in determining substantial volatility. Any property tax relief bill should address the ability to pay and assessment practices. Special purpose districts actually provide most of the relief. There will be cash flow problems

because of the delay in getting out tax statements. The bill will result in greater costs to the county.

**TESTIFIED:** Marycke Clapp, Initiative 129 sponsor (pro); Irene Kochendonfer, Initiative 129 sponsor (pro); Elsie Lowman, Initiative 129 sponsor (pro); Judy Clibborn, City of Mercer Island (pro); Loita Hawkinson (pro); Enid Layes, Association of Washington Business (con); Jerry Schaffer, Association of Washington Business (con); Clark Rieke, realtor; Stan Finkelstein, Association of Washington Cities; Bob Vogler, City of Seattle; Fred Saeger, Washington Association of County Officials (con); Mike Murphy, Thurston County Treasurer (con); Pete Spiller, Washington Fire Commissioners (con); Ron Main, King County Council