

# HOUSE BILL REPORT

## HB 1040

---

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

**Title:** An act relating to real property valuation notices.

**Brief Description:** Concerning real property valuation notices.

**Sponsors:** Representatives Takko and Upthegrove.

**Brief History:**

**Committee Activity:**

Local Government: 1/15/13, 2/1/13 [DPS], 1/13/14, 1/27/14 [DP2S].

Finance: 2/15/13, 2/26/13, 2/27/13 [DPS(LG)].

**Brief Summary of Second Substitute Bill**

- Authorizes county assessors to, for certain residential properties, combine land and improvement values on annual real property value notices that inform taxpayers of changes in real property and improvement values.

---

### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 5 members: Representatives Takko, Chair; Gregerson, Vice Chair; Farrell, Fitzgibbon and Springer.

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

**Staff:** Ethan Moreno (786-7386).

**Background:**

All real property in Washington that is subject to taxation must be listed and assessed annually by the county assessor. Unless provided otherwise by law, the property must be valued at 100 percent of its true and fair value, and assessed on the same basis.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The assessor must begin preliminary assessment work by each December 1 and must generally complete all listing and valuation duties by each May 31. In completing this work, the assessor must determine, as nearly as practicable, the true and fair value of the land and improvements located on the land.

With limited exceptions, the assessor must notify the taxpayer by mail of any change in the true and fair value of the real property and any land improvements within 30 days after appraisal. The notice, which is commonly referred to as a value notice or revaluation notice, must contain a statement of the prior and new true and fair value, stating separately land and improvement values. The value notice must also include other information, including information regarding an appeal of the assessor's value determination to the local county board of equalization. Value notices do not need to be sent if the true and fair value of the real property has not changed after a completed appraisal.

The Department of Revenue (DOR) has adopted, by rule, a standard two-digit land use code that is used by it and county assessors to identify the actual use of land. Counties may elect to use a more detailed land use code system that includes additional digits, but a county system may not use fewer than the standard two digits. Examples of the standard two-digit land use code are as follows:

- 11 - household, single family units;
- 12 - household, 2-4 units;
- 13 - household, multiunits (5 or more);
- 14 - residential condominiums; and
- 15 - mobile home parks or courts.

---

### **Summary of Second Substitute Bill:**

County assessors may, for certain residential properties, combine land and improvement values on annual real property value notices that inform taxpayers of changes in real property and improvement values. The option to combine values is limited to single family residential units, multi-family residential units for four or fewer families, and residential condominiums that qualify as land use codes 11, 12, and 14 according to the standard two-digit land use code of the DOR, as applied by counties.

### **Second Substitute Bill Compared to Original Bill:**

The amended bill makes the following changes to the original bill:

- grants county assessors the option to state land and improvement values separately for certain residential properties on notices to property owners informing them of changes to the true and fair value of real property;
- limits the option to single family residential units, multi-family residential units for four or fewer families, and residential condominiums that qualify according specific, standard two-digit land use codes that have been adopted by the DOR and are applied by counties; and
- includes related definitions.

---

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill is a response to a problem that assessors have had: having to explain separate land and improvement values on real property value notices. Courts have held that you cannot separately appeal land and improvement values, and this bill simplifies the notification process.

The current notification requirements are confusing to the public, so assessors spend a lot of time explaining that appeals can only be made on the combined land and improvement values. Boards of equalization focus on the total property value, not separate land and improvement values. Assessors must be efficient with resources, and are looking for ways to simplify the process and to engage the public. The streamlining proposal in the bill is elective, not mandatory.

This legislation originally applied to residential and commercial property. A substitute bill applying the option to separate land and improvement values only for residential property was adopted last year.

(Opposed) The Association of Washington Business is opposed to both original and amended forms of the bill. The value information on buildings and land has to be collected by assessors, regardless of whether it is on the value change notice. If the information is collected, why should it be withheld from the taxpayer? Transparency is important to property owners and assessment information is critical in determining whether and how to appeal. This bill would create an undue burden on taxpayers by requiring them to seek information in a brief period of time. This bill would also cause taxpayers to be treated differently and is in contrast to long-standing practices in Washington. The fiscal note includes assumptions about appeal reductions that may not prove true. There are better ways to address taxpayer confusion than to withhold information from them. The committee chair should convene a group of assessors to seek an alternate approach to this issue.

**Persons Testifying:** (In support) Representative Takko, prime sponsor; Diane Dorey, Lewis County Assessor; Dennis Pulsipher, King County Department of Assessments; and Monty Cobb, Washington Association of County Officials.

(Opposed) Amber Carter, Association of Washington Business.

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