

HOUSE BILL REPORT

SSB 5705

As Reported by House Committee On: Finance

Title: An act relating to amounts received by taxing districts from property tax refunds and abatements.

Brief Description: Concerning amounts received by taxing districts from property tax refunds and abatements.

Sponsors: Senate Committee on Governmental Operations (originally sponsored by Senators Brown, King and Hatfield).

Brief History:

Committee Activity:

Finance: 3/25/13, 4/1/13 [DP].

Brief Summary of Substitute Bill

- Authorizes county treasurers to reimburse taxing districts for taxes that are cancelled.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Fitzgibbon, Lytton, Pollet, Reykdal, Springer and Wilcox.

Minority Report: Without recommendation. Signed by 3 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

Staff: Jeff Olsen (786-7175).

Background:

Property Tax Limits.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established

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individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. In addition to the 1 percent levy limit, there is a 1 percent cap on the revenues a taxing district can receive each year based on the highest amount levied in the past three years. An individual taxing district with a regular property tax levy must adhere to both the statutory rate limits and the revenue limit.

Property Tax Refunds and Abatements.

A county tax refund levy is authorized to compensate for property tax refunds that are made. The refund levy includes refunds from both regular and excess levies. These refund levies are subject to the district's statutory rate limit, and they can only be made to the extent the district is below its maximum rate. However, refund levies are not limited by the 1 percent levy limit.

Property tax refunds are made for a number of reasons including: clerical errors in extending the tax rolls; errors in listing the property; property that is condemned; and valuation changes ordered by the State Board of Tax Appeals (Board). In addition, if property taxes are abated due to the destruction of property, the county treasurer may reimburse a taxing district.

Highly Disputed Property.

Whenever a property value, claim for exemption, or cancellation of a property assessment is appealed to the Board or court of competent jurisdiction, and the value in dispute exceeds one-fourth of 1 percent of the total assessed value in the county, the county assessor must use only that portion of the value which is not in controversy when computing the levy rates. When the Board or the court makes its final determination, the proper amount must be collected for each taxing district.

Summary of Bill:

The county treasurer may reimburse a taxing district for taxes that are cancelled. The amount reimbursed is offset by any supplemental property taxes collected, excluding amounts collected on highly disputed property. Clarifying language is added that the refund levy and reimbursements from cancelled taxes are not subject to the 1 percent levy limit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 allows taxing districts to recover taxes that are abated and not collected. Currently, if a tax is paid, and the taxes due are later reduced, the taxpayer gets a refund.

Then, a taxing district can recover the reduced revenue in a refund levy. However, if the tax has not yet been paid, it cannot be recovered. This bill will make taxing districts whole, and allow for adjustments from other taxes that are paid.

(Opposed) None.

Persons Testifying: Senator Brown, prime sponsor; Shawn Myers, Association of County Treasurers; and Monty Cobb, Washington Association of County Officials.

Persons Signed In To Testify But Not Testifying: None.