

CHAPTER 288

[Engrossed Substitute House Bill No. 283]

PROPERTY TAXATION

AN ACT Relating to revenue and taxation; amending section 84.40.030, chapter 15, Laws of 1961 as last amended by section 1, chapter 43, Laws of 1971 first ex. sess. and RCW 84.40.030; amending section 10, chapter 146, Laws of 1967 ex. sess. and RCW 84.40.045; amending section 84.41.030, chapter 15, Laws of 1961 and RCW 84.41.030; amending section 84.41.040, chapter 15, Laws of 1961 and RCW 84.41.040; amending section 84.48.080, chapter 15, Laws of 1961 and RCW 84.48.080; amending section 84.52.052, chapter 15, Laws of 1961 as amended by section 1, chapter 113, Laws of 1963 ex. sess. and RCW 84.52.052; amending section 84.56.020, chapter 15, Laws of 1961 as amended by section 3, chapter 216, Laws of 1969 ex. sess. and RCW 84.56.020; amending section 84.69.020, chapter 15, Laws of 1961 as amended by section 1, chapter 224, Laws of 1969 ex. sess., and RCW 84.69.020; amending section 1, chapter 27, Laws of 1971 first ex. sess.; adding a new section to chapter 15, Laws of 1961 and to chapter 84.04 RCW; adding new sections to chapter 15, Laws of 1961 and to chapter 84.36 RCW; adding new sections to chapter 15, Laws of 1961 and to chapter 84.48 RCW; creating new sections; repealing section 1, chapter 132, Laws of 1967 ex. sess., section 62, chapter 262, Laws of 1969 ex. sess. and RCW 84.36.128; repealing section 3, chapter 8, Laws of 1970 ex. sess. and RCW 84.36.129; repealing section 1, chapter 174, Laws of 1965 ex. sess., section 1, chapter 146, Laws of 1967 ex. sess., section 6, chapter 92, Laws of 1970 ex. sess. and RCW 84.54.010; making an appropriation; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Section 1. Section 84.40.030, chapter 15, Laws of 1961 as last amended by section 1, chapter 43, Laws of 1971 first ex. sess. and RCW 84.40.030 are each amended to read as follows:

All property shall be assessed fifty percent of its true and fair value in money. ((In determining the true and fair value of real or personal property, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation; nor shall he adopt as a criterion of value the price for which the said property would sell at auction; or at a forced sale; or in the aggregate with all the property in the town or district; but he shall value each article or description of property by itself; and at such price as he believes the same to be fairly worth in money at the time such assessment is made. The true cash value of property

shall be that value at which the property would be taken in payment of a just debt from a solvent debtor. In assessing any tract or lot of real property, the value of the land, exclusive of improvements, shall be determined; also, the value of all improvements and structures thereon and the aggregate value of the property, including all structures and other improvements, excluding the value of crops growing on cultivated lands. In valuing any real property on which there is a coal or other mine, or stone or other quarry, the land shall be valued at such price as such land would sell at a fair, voluntary sale for cash; any improvements thereon shall be separately valued and assessed as hereinabove provided; and any personal property connected therewith shall be listed, valued and assessed separately as other personal property is assessed under general law.)

Taxable leasehold estates shall be valued at such price as they would bring at a fair, voluntary sale for cash. Notwithstanding any other provisions of this section or of any other statute, when the value of any taxable leasehold estate created prior to January 1, 1971 is being determined for assessment years prior to the assessment year 1973, there shall be deducted from what would otherwise be the value thereof the present worth of the rentals and other consideration which may be required of the lessee by the lessor for the unexpired term thereof: PROVIDED, That the foregoing provisions of this sentence shall not apply to any extension or renewal, made after December 31, 1970 of the term of any such estate, or to any such estate after the date, if any, provided for in the agreement for rental renegotiation.

The true and fair value of real property for taxation purposes (including property upon which there is a coal or other mine, or stone or other quarry) shall be based upon the following criteria:

(1) (a) Any sales of the property being appraised or similar property with respect to sales made within the past five years, made for cash or adjusted to a cash value by appropriate discounts for sale conditions other than for cash, and less a percentage equal to the average, ordinary and usual direct costs of sale of that type of property, including but not limited to costs of title insurance, legal services, recording fees and taxes levied against such sales that are borne by the seller, and an amount equal to the customary fees payable to a licensed real estate broker for handling such a sale, such percentage to be determined by studies conducted by the department of revenue. Similar sales, for the purpose of this subsection, shall be sales of property in the same general or comparable area that are devoted to or to be devoted to the same use as the majority of the property in the area or the property being valued, whichever value is greater. The appraisal shall take into

consideration political restrictions such as zoning as well as physical and environmental influences. Sales involving deed releases or similar seller-developer financing arrangements shall not be used as sales of similar property.

(b) In addition to sales as defined in subsection (1)(a), consideration may be given to cost, cost less depreciation, reconstruction costs less depreciation, or capitalization of income that would be derived from prudent use of the property. In the case of property of a complex nature, or being used under terms of a franchise from a public agency, or operating as a public utility, or property not having a record of sale within five years and not having a significant number of sales of similar property in the general area, the provisions of this subsection (1)(b) shall be the dominant factors in valuation. When provisions of this subsection (1)(b) are relied upon for establishing values the property owner shall be advised upon request of the factors used in arriving at such value.

(c) In valuing any tract or parcel of real property, the value of the land, exclusive of structures thereon shall be determined; also the value of structures thereon, but the valuation shall not exceed the value of the total property as it exists. In valuing agricultural land, growing crops shall be excluded.

PROVIDED, That the provisions of this subsection (1) shall be applicable to all values for use in computing property taxes for the assessment year 1972 for taxes payable in 1973 and subsequent years.

V- (2) Notwithstanding the provisions of (1)(a), (b) and (c) above, whenever any person has a parcel of real property, said parcel to be determined by including all contiguous real property in the same ownership, the value of which he believes to be less than one hundred thousand dollars, he may establish the value of such property for taxation purposes by unconditionally offering such property for sale for cash through a licensed real estate broker for a period of at least ninety days at ten percent over his own stated value: PROVIDED, That this shall not be his only or sole defense against overvaluation. The ninety day period shall commence to run following publication by the broker of the first advertisement of the offer including the location of the property, which advertisement shall appear in a newspaper of general circulation in the county where the property is situated and at least once each week for four successive weeks. A person electing to proceed under provisions of this subsection shall file a notice of such intent with the assessor prior to July 15 and proof of the sale offering on or before October 15th.

NEW SECTION. Sec. 2. There is added to chapter 15, Laws of 1961 and to chapter 84.40 RCW, a new section to read as follows:

(1) Upon review by any court, or appellate body, of a determination of the valuation of property for purposes of taxation,

it shall be presumed that the determination of the public official charged with the duty of establishing such value is correct but this presumption shall not be a defense against any correction indicated by clear, cogent and convincing evidence.

(2) In any administrative or judicial proceeding pending upon the effective date of this 1971 amendatory act or arising from the property revaluation under the provisions of section 4, chapter 282, Laws of 1969 ex. sess., and section 1, chapter 95, Laws of 1970 ex. sess., the provisions of this section will apply. This paragraph shall not be construed so as to limit in any way the provisions of subsection (1) of this section.

In the event any final court decision holds any action of a county in valuing real property to have been performed illegally or unconstitutionally, the county assessor shall notify all property owners within that county whose property valuation may be affected by the court's decision. The notification required by this section may be by publication in a newspaper of general circulation in the county.

Sec. 3. Section 84.56.020, chapter 15, Laws of 1961 as amended by section 3, chapter 216, Laws of 1969 ex. sess. and RCW 84.56.020 are each amended to read as follows:

The county treasurer shall be the receiver and collector of all taxes extended upon the tax rolls of the county, whether levied for state, county, school, bridge, road, municipal or other purposes, and also of all fines, forfeitures or penalties received by any person or officer for the use of his county. All taxes upon real and personal property made payable by the provisions of this title shall be due and payable to the treasurer as aforesaid on or before the thirtieth day of April in each year, after which date they shall become delinquent, and interest at the rate of five percent per annum on not more than five hundred dollars of delinquent taxes on real property for a single year in any county shall be charged and interest at the rate of ten percent per annum shall be charged upon the balance of such unpaid taxes and upon unpaid personal property taxes from the date of delinquency until paid: PROVIDED, That when the total amount of tax on any lot, block or tract of real property payable by one person is ten dollars or more, and if one-half of such tax be paid on or before the said thirtieth day of April, then the time for payment of the remainder thereof shall be extended and said remainder shall be due and payable on or before the thirty-first day of October following, after which date such remaining one-half shall become delinquent, and interest at the rate of five percent per annum on not more than five hundred dollars of delinquent taxes for a single year in any county shall be charged and interest at the rate of ten percent per annum shall be charged upon the balance of said remainder from the date of delinquency until paid: PROVIDED,

FURTHER, That when the total amount of personal property taxes falling due in any year, payable by one person, is ten dollars or more, and if one-half of such taxes be paid on or before said thirtieth day of April then the time for payment of the remainder thereof shall be extended and said remainder shall be due and payable on or before the thirty-first day of October following, after which date such remaining one-half shall become delinquent, and interest at the rate of ten percent per annum shall be charged upon said remainder from the date of delinquency until paid. All collections of interest on delinquent taxes shall be credited to the county current expense fund; but the cost of foreclosure and sale of real property, and the fees and costs of distraint and sale of personal property, for delinquent taxes, shall, when collected, be credited to the operation and maintenance fund of the county treasurer prosecuting the foreclosure or distraint or sale; and shall be used by the county treasurer as a revolving fund to defray the cost of further foreclosure, distraint and sale for delinquent taxes without regard to budget limitations.

NEW SECTION. Sec. 4. There is added to chapter 15, Laws of 1961 and to chapter 84.36 RCW a new section to read as follows:

A person shall be exempt from any legal obligation to pay a percentage of the amount of real property taxes due and payable in 1972 and subsequent years as the result of the levy of additional taxes in excess of regular property tax levies as that term is defined in section 13 of this 1971 amendatory act, as now or hereafter amended, and/or from such regular property tax levies in accordance with the following conditions:

(1) The property taxes must have been imposed upon a residence which has been regularly occupied by the person claiming the exemption during the two calendar years preceding the year in which the exemption claim is filed; or the property taxes must have been imposed upon a residence which has been regularly occupied by the person claiming the exemption during the preceding calendar year and the person claiming the exemption must also have been a resident of the state of Washington for the last three calendar years preceding the year in which the claim is filed.

(2) The person claiming the exemption must have owned, at the time of filing, in fee, or by contract purchase, the residence on which the property taxes have been imposed. For purposes of this subsection, a residence owned by a marital community shall be deemed to be owned by each spouse.

(3) The person claiming the exemption must have been sixty-two years of age or older on January 1st of the year in which the exemption claim is filed, or must have been, at the time of filing, retired from regular gainful employment by reason of physical

disability.

(4) No person who, during the preceding calendar year, has regularly occupied the residence on which the taxes have been imposed shall have received during the preceding calendar year any earnings of the type and amount which would cause any deduction from social security benefits for a recipient of such benefits pursuant to 42 U.S.C. 403 as in effect on the effective date of this 1971 amendatory act: PROVIDED, That the earnings of any occupant living with and paying rent to the person claiming exemption shall not be included in the determination of the eligibility of such person for the exemption.

(5) The amount that the person shall be exempt from an obligation to pay shall be calculated, on the basis of the combined income, from all sources whatsoever, of the person claiming the exemption and his or her spouse for the preceding calendar year, in accordance with the following schedule:

Income Range	Percentage of Excess Levies Exemption
\$4,000 or less	One hundred percent
\$4,001 - \$6,000	Fifty percent

PROVIDED, HOWEVER, That, solely with respect to a person within the income range of \$4,000 or less, in the event that taxes due and payable include no excess levies or include excess levies less than \$50.00, the amount of the exemption shall be \$50.00 and the difference shall be attributed pro rata to regular property tax levies of each of the taxing districts.

This section shall be effective as to claims made in 1971 and subsequent years with respect to taxes due and payable in 1972 and subsequent years.

NEW SECTION. Sec. 5. There is added to chapter 15, Laws of 1961 and to chapter 84.36 RCW a new section to read as follows:

For the purposes of section 4 of this 1971 amendatory act:

(1) The term "residence" shall mean a single family dwelling unit whether such unit be separate or part of a multiunit dwelling, including the land on which the dwelling stands not to exceed one acre. The term shall also include a single family dwelling situated upon lands the fee of which is vested in the United States or any instrumentality thereof including an Indian tribe or in the state of Washington, and notwithstanding the provisions of RCW 84.04.080, 84.04.090 or 84.40.250, such a residence shall be deemed real property.

(2) The term "preceding calendar year" shall mean the calendar year preceding the year in which the claim for exemption is to be made.

All claims for exemption shall be made and signed by the

person entitled to the exemption, by his or her attorney in fact or in the event the residence of such person is under mortgage or purchase contract requiring accumulation of reserves out of which the holder of the mortgage or contract is required to pay real estate taxes, by such holder or by the owner, either before a notary public or the county assessor or his deputy in the county where the real property is located. Any person signing a false claim shall be subject to perjury.

Claims for exemption under section 4 of this 1971 amendatory act shall be made annually and filed between January 2 and July 1 of the year in which the property tax levies are imposed and solely upon forms as prescribed and furnished by the department of revenue: PROVIDED, That for 1971 such claims shall be filed between January 2 and August 1.

The department is hereby directed to publicize the qualifications and manner of making claims pursuant to sections 4 and 5, through communications media, including such paid advertisements or notices as it deems appropriate.

Sec. 6. Section 84.41.030, chapter 15, Laws of 1961 and RCW 84.41.030 are each amended to read as follows:

((Each county assessor shall commence, immediately if possible, but no later than January 1, 1956, a comprehensive program of revaluation of all taxable property within his respective county. Such program shall progress at a rate which will result in the revaluation of all taxable property within the county before June 1, 1958.)) Each county assessor shall ((thereafter)) maintain an active and systematic program of revaluation on a continuous basis, and shall establish a revaluation schedule which will result in revaluation of all taxable real property within the county at least once each four years. ((A copy of such schedule shall be filed by each assessor with the tax commission before October 15, 1956.))

Sec. 7. Section 84.41.040, chapter 15, Laws of 1961 and RCW 84.41.040 are each amended to read as follows:

Each county assessor shall cause real property being valued to be physically inspected ((and shall require such examination as will)) at least once every four years in order to provide adequate data from which to make accurate valuations. ((Property which may have been revalued after physical examination by the assessor subsequent to May 31, 1954, shall be considered to have been revalued pursuant to the requirements of this chapter.)) During the intervals between each physical inspection of real property, the valuation of such property may be adjusted to its current true and fair value, such adjustments to be based upon appropriate statistical data:

PROVIDED, That such adjustments shall not be made with respect to property revalued in 1970 for taxes payable in 1971, when such

property was revalued in accordance with a cyclical revaluation program approved by the department of revenue except such adjustments may be made to reduce values of such revalued property to reflect decreased true and fair value or to reflect the use of the criteria for valuation provided in this 1971 amendatory act: PROVIDED FURTHER, That such adjustments may be made with respect to such revalued property in a county without restriction after all the property within the county has been revalued in accordance with such cyclical revaluation program.

The assessor may require property owners to submit pertinent data respecting taxable property in their control including data respecting any sale or purchase of said property within the past five years, the cost and characteristics of any improvement on the property and other facts necessary for appraisal of the property.

NEW SECTION. Sec. 8. There is added to chapter 15, Laws of 1961 and to chapter 84.48 RCW a new section to read as follows:

The board of equalization shall reconvene on the first Monday of August for the purpose of equalizing valuations of real property within the county. Such equalization shall be accomplished in the following manner:

(1) The department of revenue shall certify to the board the ratio of the assessed valuation of locally assessed property in the county to the true and fair value of such property, based upon assessed values established without regard to equalization accomplished pursuant to this section (hereinafter referred to as the "tentative county indicated ratio"). The department shall also certify the ratio of the assessed valuation of locally assessed property in those geographical areas in the county which have been revalued pursuant to a cyclical revaluation program approved by the department of revenue to the true and fair value of such property (hereinafter referred to as the "revaluation ratio"). If, pursuant to the cyclical revaluation program, land alone or improvements alone have been revalued for any assessment year, the revaluation ratio shall be for land alone, or improvements alone, as appropriate, or such combination thereof as is appropriate. The board shall review the revaluation ratio so certified, and may accept, reject, or modify the ratio.

(2) If the revaluation ratio, as determined by the board, exceeds one hundred and ten percent of the tentative county indicated ratio, the board shall order the assessor, in accordance with the provisions of section 7 of this 1971 amendatory act, to reduce by a uniform percentage the true and fair values of land, improvements, or both as appropriate, within the geographical areas covered by the revaluation ratio by a uniform percentage such that the revaluation ratio shall equal the tentative county indicated ratio. The board

shall also order the assessor to make appropriate similar adjustments to properties valued in the same year. For the purpose of administrative convenience, such reductions may be accomplished, in lieu of actual changes in the assessment rolls, by the assessor certifying to the treasurer the percentage adjustment for the geographical areas involved, on the basis of which the treasurer shall adjust the amount of taxes otherwise payable.

Sec. 9. Section 84.48.080, chapter 15, Laws of 1961 and RCW 84.48.080 are each amended to read as follows:

((The members of the tax commission shall constitute the state board of equalization; the chairman of the tax commission shall be the president of the board; and the secretary of the tax commission shall be the secretary thereof. The board shall remain in session not to exceed thirty days; it may adjourn from day to day; and employ such clerical assistance as may be deemed necessary to facilitate its labors. The board shall meet annually on the first day after the first day of August, Saturdays, Sundays and holidays excepted, at the office of the tax commission; and)) Annually during the month of August, the department of revenue shall examine and compare the returns of the assessment of the property in the several counties of the state, and the assessment of the property of railroad and other companies assessed by the ((tax commission)) department, and proceed to equalize the same, so that each county in the state shall pay its due and just proportion of the taxes for state purposes for such assessment year, according to the ratio the valuation of the property in each county bears to the total valuation of all property in the state.

First. ((They)) The department shall classify all property, real and personal, and shall raise and lower the valuation of any class of property in any county to a value that shall be equal ((and uniform)), so far as possible, to the true and fair value of such class as of January 1st of the current year ((in every part of the state)) for the purpose of ascertaining the just amount of tax due from each county for state purposes. Such classification may be on the basis of types of property, geographical areas, or both.

Second. The ((secretary)) department shall keep a full record of ((the)) its proceedings ((of the board;)) and the same shall be published annually by the ((state tax commission)) department.

Third. ((They)) The department shall have authority to adopt ((the)) rules and regulations ((for the government of the board; and)) to enforce obedience to its orders in all matters in relation to the returns of county assessments, and the equalization of values by ((said board)) the department.

The ((state board of equalization)) department shall levy the state taxes authorized by law: PROVIDED, That the amount levied in

any one year for general state purposes shall not exceed the lawful millage on the dollar of the assessed value of the property of the entire state, which assessed value shall be fifty percent of the true and fair value of such property in money; and shall apportion the amount of tax for state purposes levied by the ((board)) department, among the several counties, in proportion to the valuation of the taxable property of the county for the year as equalized by the ((board)) department.

((Within three days)) After the completion of the duties hereinabove prescribed, the ((president and secretary of the board)) director of the department shall certify the record of the proceedings of the ((board)) department under this section, the tax levies made for state purposes and the apportionment thereof among the counties, to the state auditor.

NEW SECTION. Sec. 10. The indicated county ratios determined by the department of revenue for 1970, as adjusted for the purposes of reflecting compliance with chapter 84.41 RCW, are hereby adopted, confirmed, and approved.

NEW SECTION. Sec. 11. There is added to chapter 15, Laws of 1961 and to chapter 84.48 RCW a new section to read as follows:

The county commissioners or governing board of any county may designate one or more persons to act as a property tax advisor to any person liable for payment of property taxes in the county. A person designated as a property tax advisor shall not be an employee of the assessor's office or have been associated in any way with the determination of any valuation of property for taxation purposes that may be the subject of an appeal. A person designated as a property tax advisor may be compensated on a fee basis or as an employee by the county from any funds available to the county for use in property evaluation including funds available from the state for use in the property tax revaluation program.

The property tax advisor shall perform such duties as may be set forth by resolution of the county commissioners or other governing authority.

If any board of county commissioners elect to designate a property tax advisor, they shall publicize the services available.

NEW SECTION. Sec. 12. The amendment or repeal of any statutes by this 1971 amendatory act shall not be construed as invalidating, abating or otherwise affecting any existing right acquired or any liability or obligation incurred under the provisions of the statutes amended or repealed. Such amendment or repeals shall not affect the right of any person to make a claim for exemption during the calendar year 1971 pursuant to RCW 84.36.128.

NEW SECTION. Sec. 13. There is added to chapter 15, Laws of 1961 and to chapter 84.04 RCW a new section to read as follows:

The term "regular property taxes" and the term "regular property tax levy" shall mean a property tax levy by or for a taxing district which levy is subject to the aggregate limitation set forth in RCW 84.52.050, as now or hereafter amended, or which is imposed by or for a port district or a public utility district.

Sec. 14. Section 84.69.020, chapter 15, Laws of 1961 as amended by section 1, chapter 224, Laws of 1969 ex. sess., and RCW 84.69.020 are each amended to read as follows:

On order of the board of county commissioners or other county legislative authority of any county, ad valorem taxes paid before or after delinquency shall be refunded if they were:

- (1) Paid more than once; or
- (2) Paid as a result of manifest error in description; or
- (3) Paid as a result of a clerical error in extending the tax rolls; or
- (4) Paid as a result of other clerical errors in listing property; or
- (5) Paid with respect to improvements which did not exist on assessment date; or
- (6) Paid under levies or statutes adjudicated to be illegal or unconstitutional; or
- (7) Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted from paying real property taxes or a portion thereof pursuant to RCW 84.36.128 (~~PROVIDED~~, That a claim for such refund is made on or before October 30 of the year for which the taxes have been paid); or
- (8) (~~Overpaid~~) Paid or overpaid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person paying the same (~~PROVIDED~~, That a claim for such refund is made on or before October 30 of the year for which the taxes have been overpaid) or paid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person paying the same with respect to real property in which the person paying the same has no legal interest: or
- (9) Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board: ~~PROVIDED~~, That the amount refunded shall only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order.

No refunds under the provisions of this section shall be made because of any error in determining the valuation of property, except as authorized in subsection (9).

NEW SECTION. Sec. 15. Each county treasurer shall report

annually on January 15, to the department of revenue, the legislative budget committee and to the press the amount of the property tax revenue for the previous year, the current year and the proposed budget for the ensuing years for each unit of local government within their county. Said report shall indicate the number of dollars available to the unit of local government, the source of such funds, and the percentage of increase or decrease over previous year. School districts reports shall indicate the total dollars received from both state support and local property tax revenues.

Sec. 16. Section 10, chapter 146, Laws of 1967 ex. sess. and RCW 84.40.045 are each amended to read as follows:

On or before June 15 of each year the assessor shall give notice of any change in the true and fair value of real property for the tract or lot of land and any improvements thereon.

The notice shall contain a statement of both the prior and the new true and fair value and the ratio of the assessed value to the true and fair value on which the assessment of the property is based, and a brief statement of the procedure for appeal to the board of equalization and the time, date, and place of the meetings of the board.

The notice shall be mailed by the assessor to the taxpayer ((and a copy thereof shall be sent by the assessor to the legal owner of the property, if such is different from the taxpayer and the name and address are known to the assessor.

A legal owner may submit his or its name and address to the assessor, indicating therewith the property owned by the legal owner and requesting that a copy of the notice be mailed to the legal owner)).

If any taxpayer, as shown by the tax rolls, holds solely a security interest in the real property which is the subject of the notice, pursuant to a mortgage, contract of sale, or deed of trust, such taxpayer shall, upon written request of the assessor, supply, within thirty days of receipt of such request, to the assessor the name and address of the person making payments pursuant to the mortgage, contract of sale, or deed of trust, and thereafter such person shall also receive a copy of the notice provided for in this section. Failure to comply with such request within the time limitation provided for herein shall make such taxpayer subject to a civil penalty of five dollars for each parcel of real property within the scope of the request in which it holds the security interest, the aggregate of such penalties in any one year not to exceed five thousand dollars. The penalties provided for herein shall be recoverable in an action by the county prosecutor, and when recovered shall be deposited in the county current expense fund. The assessor shall make the request provided for by this section during the month

of April.

Sec. 17. Section 1, chapter 27, Laws of 1971 first ex. sess. is amended to read as follows:

Any person (~~assessing~~) having the responsibility of valuing real property for purposes of taxation (~~and~~) including persons acting as assistants or deputies to a county assessor under RCW 36.21.011 as now or hereafter amended, shall have first:

(1) Graduated from an accredited high school or passed a high school equivalency examination;

(2) Had at least one year of experience in transactions involving real property, in appraisal of real property, or in assessment of real property, or at least one year of experience in a combination of the three;

(3) Become knowledgeable in repair and remodeling of buildings and improvement of land, and in the significance of locality and area to the value of real property; and

(4) Become knowledgeable in the standards for appraising property set forth by the department of revenue.

The department of personnel shall prepare with the advice of the department of revenue and administer an examination on the subjects of subsections (3) and (4), and no person shall assess real property for purposes of taxation without having passed said examination. A person passing said examination shall be certified accordingly by the director of the department of personnel: PROVIDED, HOWEVER, That this section shall not apply to any person who prior to the effective date of this act shall have either:

(1) Been certified as a real property appraiser by the department of personnel.

(2) Attended and satisfactorily completed the assessor's school operated jointly by the department of revenue and the Washington state assessors association: PROVIDED FURTHER, That the department of revenue shall be required to report to the 1973 legislature as to the extent of compliance to the provision of this section by each county within this state.

NEW SECTION. Sec. 18. There is hereby created a permanent property tax committee for the purpose of making a thorough examination of the property tax and its administration.

This committee shall consist of eight members: Four senators, two from each political party, to be appointed by the president of the senate and four representatives, two from each political party, to be appointed by the speaker of the house of representatives.

Members shall be appointed on or before June 30, 1971, in the odd-numbered years to serve two year terms. Membership shall not be dependent upon continuation in office.

The initial meeting of the committee shall be held within

sixty days of appointment, and shall be called by the chairman of the senate revenue and taxation committee, who shall act as temporary chairman. At such first meeting the committee shall elect a chairman and a vice-chairman. The chairman shall appoint a secretary and such other staff as the members of the committee deem necessary.

Members of the committee shall receive allowance while attending meetings of the committee or while engaged in other committee business in the amount provided in RCW 44.04.120 as now or hereafter amended. All expenses incurred by the committee or the members thereof shall be paid on voucher forms signed by the chairman of the committee. Vouchers should be drawn on funds appropriated generally by the legislature or on any special appropriation which may be provided by the legislature for the expenses of the committee.

The committee is authorized to appoint such citizen subcommittees as it deems appropriate. The members of the subcommittees shall receive no compensation but shall receive per diem in an amount not to exceed twenty-five dollars per day while attending to the business of the commission and their necessary travel expenses. Payment of per diem and expenses shall be made upon vouchers approved by the chairman of the committee.

The committee may select and retain such consultants and research organizations as necessary to assist the committee in any of its functions.

Duties and responsibilities of the committee shall include, without limitation, the following:

(1) A continuing study and analysis of the present and alternative systems of taxation of property within the state of Washington.

(2) An investigation of the impact of property taxation on individuals, business and types of property.

(3) A continuing review of the provisions of this 1971 amendatory act and the implementation thereof to determine the need for any revision.

(4) An evaluation of the present administrative-judicial appeal procedure in order to determine whether taxpayers have ready and inexpensive access to effective legal remedies.

(5) A continuation of studies regarding property tax exemptions and the tax loss sustained by local communities by reason of such exemptions.

(6) An examination of the organization and operation of all taxing districts, and the administration of the property tax.

(7) An analysis of the methods of determining county ratios.

(8) An exploration of the feasibility of deferral of property taxes for senior citizens, comparing methods and effects of such program as used in other states.

(9) A review of the effect of the present property tax system of taxation of farms and farm lands, including the study of an alternative tax based upon the income derived from the use of farm lands.

(10) Any other matters referred to the committee by the legislature.

The committee shall report its findings and recommendations to the 1973 session of the legislature by the second Monday of January, 1973, and to each session of the legislature thereafter at the same time.

NEW SECTION. Sec. 19. There is hereby appropriated the sum of \$50,000 or so much thereof as may be necessary to accomplish the duties and function imposed upon the permanent property tax committee by section 18 of this act.

NEW SECTION. Sec. 20. Except as provided in sections 21 through 24 of this 1971 amendatory act, the levy in 1973 and years subsequent thereto for a taxing district other than the state or a school district in any year shall be set so that the regular property taxes payable in the following year shall not exceed one hundred six percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction and improvements to property by the regular property tax levy rate of that district for the preceding year.

NEW SECTION. Sec. 21. Notwithstanding the limitation set forth in section 20 of this act, the first levy for a taxing district created from consolidation of similar taxing districts shall be set so that the regular property taxes payable in the following year shall not exceed one hundred six percent of the sum of the amount of regular property taxes lawfully levied for each component taxing district in the highest of the three most recent years in which such taxes were levied for such district plus the additional dollar amount calculated by multiplying the increase in assessed value in each component district resulting from new construction and improvements to property by the regular property tax rate of each component district for the preceding year.

NEW SECTION. Sec. 22. For the first levy for a taxing district following annexation of additional property, the limitation set forth in section 20 of this 1971 amendatory act shall be increased by an amount equal to (1) the aggregate assessed valuation of the newly annexed property as shown by the current completed and balanced tax rolls of the county or counties within which such property lies, multiplied by (2) the millage rate that would have

been used by the annexing unit in the absence of such annexation, plus (3) the additional dollar amount calculated by multiplying the increase in assessed value in the annexing district resulting from new constructions and improvements to property by the regular property tax levy rate of that annexing taxing district for the preceding year.

NEW SECTION. Sec. 23. If by reason of the operation of RCW 84.52.050, as now or hereafter amended the statutory millage limitation applicable to the levy by a taxing district has been increased over the statutory millage limitation applicable to such taxing district's levy in the preceding year, the limitation on the dollar amount of a levy provided for in this 1971 amendatory act shall be increased by multiplying the otherwise dollar limitation by a fraction, the numerator of which is the increased millage limitation and the denominator of which is the millage limitation for the prior year.

NEW SECTION. Sec. 24. Subject to any otherwise applicable statutory millage limitations, regular property taxes may be levied by or for a taxing district in an amount exceeding the limitations provided for in sections 20 through 23 of this 1971 amendatory act if such levy is authorized by a proposition approved by a majority of the voters of the taxing district voting on the proposition at a general election held within the district or at a special election within the taxing district called by the district for the purpose of submitting such proposition to the voters. Any election held pursuant to this section shall be held not more than twelve months prior to the date on which the proposed levy is to be made. The ballot of the proposition shall state the millage rate proposed. After a levy authorized pursuant to this section is made, the dollar amount of such levy shall be used for the purpose of computing the limitations for subsequent levies provided for in this 1971 amendatory act.

NEW SECTION. Sec. 25. Sections 20 through 24 are added to chapter 15, Laws of 1961 and to Title 84 RCW, and shall constitute a new chapter therein.

Sec. 26. Section 84.52.052, chapter 15, Laws of 1961 as amended by section 1, chapter 113, Laws of 1963 ex. sess. and RCW 84.52.052 are each amended to read as follows:

The limitations imposed by RCW 84.52.050 through 84.52.056, shall not prevent the levy of additional taxes, not in excess of five mills a year and without anticipation of delinquencies in payment of taxes, in an amount equal to the interest and principal payable in the next succeeding year on general obligation bonds, outstanding on December 6, 1934, issued by or through the agency of the state, or any county, city, town, or school district, or the levy of additional

taxes to pay interest on or toward the reduction, at the rates provided by statute, of the principal of county, city, town, or school district warrants outstanding December 6, 1932; but this millage limitation with respect to general obligation bonds shall not apply to any taxing district in which a larger levy is necessary in order to prevent the impairment of the obligation of contracts. Any county, school district, metropolitan park district, park and recreation district in class AA counties and counties of the second, eighth and ninth class, sewer district, water district, public hospital district, rural county library district, intercounty rural library district, fire protection district, cemetery district, city or town may levy taxes at a rate in excess of the rate specified in RCW 84.52.050 through 84.52.056, or sections 20 through 24 of this 1971 amendatory act, when authorized so to do by the electors of such county, school district, metropolitan park district, park and recreation district in class AA counties and counties of the second, eighth and ninth class, sewer district, water district, public hospital district, rural county library district, intercounty rural library district, fire protection district, cemetery district, city or town by a three-fifths majority of those voting on the proposition at a special election, to be held in the year in which the levy is made, and not oftener than twice in such year, in the manner provided by law for holding general elections, at such time as may be fixed by the body authorized to call the same, which special election may be called by the board of county commissioners, board of school directors, or council, board of commissioners, or other governing body of any metropolitan park district, park and recreation district in class AA counties and counties of the second, eighth and ninth class, sewer district, water district, public hospital district, rural county library district, intercounty rural library district, fire protection district, cemetery district, city or town, by giving notice thereof by publication in the manner provided by law for giving notices of general elections, at which special election the proposition of authorizing such excess levy shall be submitted in such form as to enable the voters favoring the proposition to vote "Yes," and those opposed thereto to vote "No": PROVIDED, That the total number of persons voting at such special election must constitute not less than forty percent of the voters in said taxing district who voted at the last preceding general state election: PROVIDED FURTHER, That the total number of persons voting on an excess levy for school district purposes or for fire protection purposes or for cities and towns at any such special election of such districts or of any city or town must constitute not less than forty percent of the voters in such taxing district or in any city or town, as the case may be who voted at the last preceding general election

in such district.

NEW SECTION. Sec. 27. The following acts or parts of acts are each repealed:

(1) Section 1, chapter 174, Laws of 1965 ex. sess., section 1, chapter 146, laws of 1967 ex. sess., section 6, chapter 92, Laws of 1970 ex. sess. and RCW 84.54.010;

(2) Section 1, chapter 132, Laws of 1967 ex. sess., section 62, chapter 262, Laws of 1969 ex. sess. and RCW 84.36.128; and

(3) Section 3, chapter 8, Laws of 1970 ex. sess. and RCW 84.36.129.

NEW SECTION. Sec. 28. If any provision of this 1971 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 29. This 1971 amendatory act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House May 10, 1971.

Passed the Senate May 10, 1971.

Approved by the Governor May 21, 1971 with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 21, 1971.

Note: Governor's explanation of partial veto is as follows:

"...This bill deals with a number of aspects of the property tax, and stems from various problems which, although existing prior to the present state-wide revaluation program, have been highlighted by reason of that program. It is, in general, a comprehensive and well thought-out bill, and will substantially aid in solving these problems, while allowing the revaluation program to continue. However, there are certain provisions of the bill which will create more problems than they solve, for taxpayers and tax administrators alike.

Veto
Message

Section 1 purports to establish a new statutory standard to be used in the determination of true and fair value for property tax purposes. It strikes the old statutory criteria for determining true and fair value. Since, in my opinion, the stricken language does no more than spell out those criteria in determining true and fair value which would be used in accordance with normal appraisal practices, and since the standard of "true and fair value in

money" is still retained, I believe that the elimination of the old statutory language, by itself, makes no substantive change and can therefore stand.

However, in the new statutory language there are both legal and administrative problems. The language in subsection (1) (a) relating to adjustments by appropriate discounts for sale conditions other than for cash is being vetoed because of its legal uncertainty. It is standard appraisal practice, in the use of comparable sales, either to adjust contract sales where the contract price is inflated by a low down payment or an unreasonably low interest rate, or to reject such comparables entirely. It is not clear whether the new language is simply an expression of an intent to continue this practice, or whether it requires in addition a discount based upon discounts taken in selling, for example, a vendor's interest in a real estate contract. If the latter be the intent, this is not in conformity with standard appraisal practices, will cause serious administrative problems, and will result in substantial lack of uniformity in results.

The second item vetoed is the language in the same subsection relating to standards for determining "similar sales". Again, it is not clear whether the intent here is simply to continue present appraisal practices with respect to the use of comparable sales, or is to use some other standard. If the intent is the latter, the effect of this would be to discriminate against that vast majority of property which is appraised on the basis of its actual use, in favor of those properties in which highest and best use is not actual use, i.e., in favor of properties being held primarily for speculative investment, and against the typical residential property. Accordingly, this language is being stricken because it is either useless or it is discriminatory in effect.

With these vetoes the sole change from standard appraisal practices is the requirement of adjustments for direct selling costs. It is clear that the percentage discount or adjustment to be made in accordance with this subsection for direct costs of sale is to be established by the Department of Revenue after appropriate studies, and that the amount of brokerage fees are to be included in this percentage. Since uniform administrative practice in

determining that discount is assured, I have allowed this provision to stand.

Veto
Message

The successful continuation of the present state-wide revaluation program necessitates, I believe, as much clarity as possible and the least amount of administrative and legal confusion in the standards to be applied in the appraisal of real property for tax purposes. The item vetoes discussed above have been made with full cognizance of these requirements, and after consultation with the Department of Revenue and representatives of the county assessors. With these item vetoes, I believe that subsection (1) is workable.

I have also vetoed the provisions of subsection (2) of section 1. This new section is a radical departure in the United States from standard appraisal practices, in that it allows self-assessment by the taxpayer for property tax purposes. While the proposal may have substantial merit, its risks are such that I do not believe it should be put into effect without further careful consideration. See, for example, the discussion of such a system in "An Evaluation of Self-assessment under a Property Tax" in The Property Tax and Its Administration, Lynn, Editor, University of Wisconsin Press, Madison (1969), pages 79-118. I trust that this method of self-assessment is one which will be intensively studied by the committee established under section 18 of the bill.

The last two sentences of section 2 (2) substantially parallel a provision which has already been enacted into law as section 3, chapter 42, Laws of 1971, Extraordinary Session. These last sentences of subsection (2) are apparently intended to have exactly the same effect as the provision already enacted into law; but the different language may well cause legal confusion, and for this reason, is vetoed.

I have also vetoed the provisos contained in section 7 of the bill. The reason for this veto is that they appear to be in conflict with the provisions of section 8, the intracounty equalization provisions. The conflict arises on two points. The first proviso states that properties revalued in 1970 pursuant to a cyclical revaluation program approved by the Department of Revenue may be adjusted downward only in order to reflect actual decreases in true

and fair values or to reflect new valuation criteria. However, section 8 contemplates that there will be an adjustment downward for such properties simply by reason of the fact that the true and fair values determined for other properties in the county are lower than actual market values.

Veto
Message

A second source of conflict would arise even if the first source of conflict were eliminated. Section 8 contemplates that there will be a percentage reduction for such properties for purposes of 1971 assessments, and that there will also be a reduction for purposes of 1972 assessments, both reductions to be made from the 1970 valuations. However, in all probability the reductions to be made in 1972 will be less than those made in 1971. The provisos in section 7 would appear to prevent what, in effect, would be a raise in 1972 true and fair values from the 1971 true and fair values.

I have been assured by the Department of Revenue that it will not permit assessors, using the multiple regression techniques contemplated by section 7 of this bill, to raise true and fair values, in order to reflect actual increases in market price of properties already revalued under the revaluation program until the whole program is completed.

With the exception of the items discussed above, I have approved Engrossed Substitute House Bill No. 283."