

## *A MESSAGE FROM THE KING COUNTY ASSESSOR -- SCOTT NOBLE*



1997 has been a year of major progress on improving our assessment process and administration. It also is a year of major change to the Washington State property tax system and assessment administration.

In the 1997 Legislature, 75 separate property tax proposals were considered, and 15 of these bills became law. The exemption of intangibles and SSB 5835 (Referendum 47) may have substantial impacts. This November, the citizens of Washington State will vote on Referendum 47, a property tax reform measure. It is a four part proposal where three parts deal with smaller increases in state and local property taxes, and one part institutes assessed value increase limits. As the property tax system is symbiotically related to our government structure, this relationship is the focus of my remarks.

The decisions made in 1997 will determine the future course of our property tax system and assessment process. The fundamental question is whether or not we wish to maintain the market value standard for all taxpayers. First, a little history of the system and the district environment it serves.

Since 1889 property has been assessed uniformly, with all real estate comprising one class of property since 1929, with taxes to be uniform on that same class of property. The assessment process of valuation has always been based on a market value standard, with 100% of true and fair value the requirement since 1973. This process has historically served as the basis for funding of public services for the 1,717 different taxing districts of Washington State.

In 1997 King County has 165 different taxing districts, with 97 districts levying property taxes. The overlap combinations of taxing districts produced 620 different levy codes with 233 different total property tax rates. The high degree of fragmentation is perhaps best illustrated by the percentage difference between the highest total property tax rate and the lowest - 101%. The complexity of this fragmentation is probably the least understood aspect of the property tax system (please see King County's current levy rate distribution on the following page).

Although it is risky to generalize about the ultimate effects of district and property tax system fragmentation, many regions experience point to common patterns: sprawl, isolation, spatial polarization, glaring fiscal disparities for schools and services, district tax base competition, inequitable (different) assessment classification, and uncoordinated governance. The good news is that our region has taken some positive steps toward regional coherence. The bad news is that indicators of fragmentation are very evident and not getting better: sprawl, traffic congestion, gated communities, rising land prices, unaffordable housing, education funding spreads, resistance on problem resolution, and the devolution or downloading of responsibilities. Paradoxes run strong in this environment. Those that argue for less government take recourse by creating more. Citizens lament of being close to everything but part of nothing. A structure has been built that nobody is willing to change and a price nobody is willing to pay. A key question of the possible changes to our property tax system is -- are we restructuring it to mirror the government structure it supports (the "haves" and "haves not")?

What can we do about all this? It is all interrelated, and some of our problems need regional attention; but our system of fragmentation works against it. Major changes to a uniformity based supporting tax system may make matters worse. I hope in the future we can institutionalize cooperation between governments and further pursue strategies of mutual adjustment. We should explore fiscal equity on regional funding by all participants, perhaps through tax base sharing or similar initiatives. There is a need to balance local autonomy with addressing problems that don't respect district boundaries.

Why Referendum 47? Property tax relief pressures are great, especially with growth exploding and home values rising. Property tax growth has been a big concern with higher property taxes coming, in part, from greater costs of providing public services to an ever-expanding sprawl. However, the valuation limit increase part of Referendum 47 may produce far-reaching unintended consequences.

A departure from a uniform market value standard is a major decision, a first in our state's history. It is worth noting that Referendum 47 lines out/strikes from our law the phrase "true and fair" over 25 times. I hope we all carefully consider what this might mean to us. The choice is ours. Thank you for your time and consideration.