

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



1998 has been a landmark year for the Washington State property tax system and assessment administration. It also was a year of major improvements to King County's assessment process and administration. Last year my remarks concentrated on property tax system fragmentation and complexity and the need to carefully tailor reform measures in such a structure. This year I will highlight unintended consequences of property tax reform measures of the past year and touch on what type of remedy we may need in the future.

Referendum 47, sent to the voters by the 1997 legislature, was passed on November 4, 1997. It contained two parts dealing with smaller increases in state and local property taxes, and one part instituting assessed value increase limits, which would for most properties cap assessed value increases at 15% per year. Upon detailed analysis, especially with a hot real estate market, it became clear the "value averaging" provision would create tax shifts, public disaffection and distrust. A bipartisan group of ten Assessors (Kitsap, King, San Juan, Ferry, Jefferson, Cowlitz, Lewis, Stevens, Skagit, and Mason Counties) challenged the constitutionality of the "value averaging" provision to the Supreme Court of the State of Washington in January 1998. At the center of our case lay the impacts of tax shifts onto most homeowners and especially onto senior citizens, penalizing them with a disproportionate tax burden.

All the Supreme Court Justices agreed with the Assessors. On July 30, 1998, the Supreme Court of the State of Washington unanimously ruled the "value averaging" provision of Referendum 47 was unconstitutional, and would shift taxes from rapidly appreciating properties to those whose value was growing more slowly.

Although our challenge was a tough decision, it was the right thing to do. As King County assessment numbers were finalized for 1999 property taxes, it became clear that Referendum 47 would have produced startling tax shifts. Nearly \$4 billion in assessed value would have been removed from the assessment roll, and taxes of nearly \$48 million would have needed redistribution among the remaining value. For residential property, 21% of homeowners would have benefited from value-averaging, with an average value reduction of \$12,400. The other 428,180 properties, including over 25,000 seniors in exemption programs, would have received no value reduction and higher taxes. Of commercial properties, 6% would have benefited from value averaging, with an average reduction of \$1,174,000 each. Major office buildings would have been the prime beneficiaries with total value reductions of \$672 million. The net tax shift to the 80% of properties receiving no value reduction from Referendum 47 amounted to \$41.8 million in property taxes. To avoid such potential disasters in the future, we need to carefully craft reform and relief measures.

Entering my third term as the Assessors' Legislative Committee Chair, I know property tax relief pressures are great, especially with growth exploding and home values rising. Property tax growth is a big concern with higher property taxes coming from ballot measures and increased costs of providing public services to an ever-expanding sprawl. I will again propose and support real property tax relief that is fair, uniform and equitable. The senior citizen exemption program is a successful example of targeted relief. I am proud to have been associated with legislative action benefiting seniors over the last eight years.

I hope we do not continue looking at issues in isolation, approving remedies that are loaded with unintended consequences. Too often what we vote for is at the tip of the iceberg, and we get stuck with what's below the surface. I am hopeful that future technical analysis will detail what new relief approaches might work, and what ways the system may be improved.