

January 23, 2018

Legislative Update – Eliminating the collection of anticipated taxes and assessments (Revised)

The 2017 Legislature passed [House Bill 1283 \(HB 1283\)](#), which took effect July 23, 2017. The bill eliminates the requirement that the county treasurer collect a deposit of advance tax before the county auditor records a new or altered subdivision of two or more lots.

Current law

Under [RCW 84.56.345](#), in order to record any document with the county auditor that results in a division, alteration, or adjustment of property boundary lines, both current and delinquent taxes and assessments on the property must be paid.

Additionally, [RCW 58.08.040](#) requires the treasurer to collect an advance tax deposit to cover anticipated taxes for the subsequent tax year if the plat, re-plat, or altered plat is recorded after May 31, and prior to the date taxes are collected in the subsequent year.

What changes does HB 1283 make?

The bill repeals [RCW 58.08.040](#) and amends [RCW 84.56.345](#) and [RCW 84.40.042](#), eliminating the requirement to pay an advance tax deposit to cover anticipated taxes for the subsequent year prior to recording any document that divides, alters, or adjusts real property boundary lines.

However, all current and delinquent taxes must still be paid prior to recording any document that divides, alters, or adjusts real property boundary lines, per [RCW 84.56.345](#). According to [RCW 84.40.042](#), “current year taxes” means taxes that are collectible under [RCW 84.56.010](#) after completing the tax roll for current year.

Listing and valuation of subdivided property

Assessors will continue to have until October 30 of the year after the plat is recorded to value lots at market value, per [RCW 84.40.042](#). The Department of Revenue (Department) encourages counties to create and list new parcels promptly, so that new valuation notices and tax statements can be sent to the appropriate property owners.

Whether an assessor creates and lists the new parcels before or after “closing of the assessment roll” will determine if new parcels are listed at a new true and fair market value, or an allocated value of the parent parcel. The “closing of the assessment roll” is the date the assessor certifies the roll to the board of equalization.

Lots created before closing of the current assessment roll are valued at market before lots created after closing the roll. For properties created after closing the roll, allocated values are used which allows the assessor to list new parcels while maintaining certified values for other functions, such as the calculation of levies.

In addition, the assessor must determine the new value to add to the assessment roll as “improvements to property.” This is the difference between the market value of the original parent parcel and the combined market values of the newly created child parcels. The difference in market value is the “improvement” value used in the levy calculation as provided in chapter [84.55 RCW](#).

Example of changes resulting from HB 1283

Example: *A plat is recorded in 2017 (after July 23, 2017, the effective date of HB 1283):*

If the assessor creates and lists the new parcels **before closing** of the 2017 assessment roll:

- For Assessment Year 2017, value the child parcels at market value.
 - Taxes payable in 2018 are calculated based on the market value.

If the assessor creates and lists the new parcels **after closing** of the 2017 assessment roll:

- For Assessment Year 2017, value the child parcels at a mathematical split or other appropriate allocation of the parent parcel's market value for AY 2017.
 - Taxes payable in 2018 are calculated based on the allocated value.
- For Assessment Year 2018, establish the market value of the child parcels.
 - Taxes payable in 2019 are based on the market value.

NOTE: Example applies in subsequent assessment years when the assessor creates and lists new parcels **before or after** closing of the assessment roll for that year.

Questions?

Contact Marilyn O'Connell at (360) 534-1364 or MarilynO@dor.wa.gov.