

'FIXED FOR FAILURE'

FRENZY prevails in the halls and hearing rooms of the 52nd Legislature. The provocateur? Our oldest, most equitable tax - the real property tax.

The property tax is equitable because the same rate is applied, statewide, on the current market value of all land and all improvements whether the use be for single-family residences, apartment/condominiums or for commercial/industrial purposes.

The system is unbiased when it is based on current value - market value. Market forces set the value of any particular site. Neighborhoods exhibit similarities - for example, a downtown, an industrial area, a conglomeration of slums, or a posh neighborhood with guarded gates. Assessments for all occur every one, two or four years, depending on the county. (Thurston has yearly revaluations.)

But tinkering with "the market" by freezing assessed values as of a certain date, or giving exemptions (or "current use" status) to certain property owners is dangerous.

It skews the market. It produces higher taxes for everyone but the favored few. It lowers revenues to any local government pressed against the 106 percent levy lid.

Our current frenzy stems from two proposals last June. One was Gov. Booth Gardner's plan to clamp a lid on assessed valuations of homes worth \$200,000, coupled with higher senior citizen/handicapped exemptions. A second from Sen. Dan McDonald, R-Bellevue, would have based assessments on a five-year running average. And there are others - as many as 15 were proposed even before the session got under way. In the last week of January, the



META HELLER reports from Olympia, Washington State, where legislators propose "tinkering" measures for the property tax.

Senate passed a new McDonald proposal: give counties the option of freezing this year's property valuations at 1989 levels. He calls it a "short-term fix".

But King County Assessor Ruthe Ridder's analysis suggests it would be a long-term problem. King County property owners account for approximately one-half the state's property revenues.

Ridder says moderate-to-low property owners - single-family residences, apartments, condominiums, even a few industrial owners - would pay more. Boeing, for example, would pay \$5 million more.

One the other hand, the more affluent residents with waterfront, wonderful views, or owning other desirable sites would pay less. Two downtown Seattle skyscrapers, which changed hands recently, also would pay less - up to \$700,000 less.

Homeowners in "lukewarm markets" - Federal Way, Auburn, Enumclaw, Highline, South Central Seattle, Skykomish - would pay more. Where is equity for the working class?

The reason tax breaks for some always hurt others is that each year every county, city, special district prepares a budget based on anticipated revenue from the property tax (as well as estimated revenues from the sales tax, licenses and fees). The budget allocation from property revenues must be covered by residents in that county, city, special district. (If some property owners get extraordinary "relief," the rest simply pay more.

Ridder's analysis for Seattle, for example, shows that the 1991 levy rate would have to be increased from \$10.96 per \$1,000 valuation to \$15 to counter the artificially lower "freeze assessments" for some. The cities of Renton and Normandy Park would lose substantial revenue because they are at the 106 percent levy lid. Special districts (also at the lid) would also lose heavily - libraries, medic programs, parks and fire districts.

Our forebearers understood the property tax. Today people seem not to understand. Every assessor who has testified on any of the "property tax relief measures" says these bills will give relief to richer homeowners, raise bills for poorer homeowners, increase rents for non-property owners, and be neutral for most business property owners. Who is listening?

The only revision to the property tax that would bring lower bills to almost everyone, make rents more affordable, and dampen land speculation is one that levies a higher rate on land values (say, 2 1/2 percent) and a lower rate on buildings (say, 1/2 percent). That would promote equity.

No such bill has surfaced in either chamber.

"The problem consists in devising an equitable tax system for redistributing rent that might provide sufficient economic incentives for a more effective use of the best plots of land, as well as covering within certain limits local and national budgetary

needs. This could be a way of increasing the volume of profits and rent that are a source of the growth of individual and public wealth, and of lowering social and national tensions.

"I might point out that the system of rent redistribution by

means of tax rates associated with local, Republican and Union budgets so far have not been worked out scientifically. The search for a solution was begun empirically in the process of solving conflicts and conciliating interests".