
SENATE BILL 6562

State of Washington

53rd Legislature

1994 Regular Session

By Senators Roach, Moyer and Oke

Read first time 01/27/94. Referred to Committee on Ways & Means.

1 AN ACT Relating to property tax reform; adding a new chapter to
2 Title 84 RCW; creating a new section; and prescribing penalties.

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

4 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. With the rapid rise in
5 property values and the corresponding increases in property tax
6 liability, it has become increasingly difficult for many homeowners to
7 pay the increased taxes due on real property and they are being forced
8 to either borrow money to pay the unexpected increases or to sell their
9 residences because of an inability to pay the tax. The legislature
10 intends to allow those homeowners whose property tax liability in any
11 one year has exceeded four percent of their combined disposable income
12 for that year to defer the amount of the real property taxes that
13 exceeds four percent. This deferral program is intended to assist
14 homeowners in maintaining their homes by easing the increases in tax
15 and maintaining their dignity while still paying their appropriate
16 share of the property tax burden.

1 NEW SECTION. **Sec. 2.** DEFINITIONS. Unless the context clearly
2 requires otherwise, the definitions used in this section apply
3 throughout this chapter.

4 (1) "Claimant" means a person who elects to defer payment of real
5 property taxes by filing a claim to defer as provided in this chapter.

6 (2) "Combined disposable income" means the disposable income of the
7 person claiming the exemption, plus the disposable income of his or her
8 spouse, and the disposable income of each cotenant occupying the
9 residence for the preceding calendar year.

10 (3) "Cotenant" means a person who resides with the claimant and who
11 has an ownership interest in the real property.

12 (4) "Disposable income" means adjusted gross income as defined in
13 the federal internal revenue code, as now or hereafter amended, plus
14 all of the following items to the extent they are not included in or
15 have been deducted from adjusted gross income:

16 (a) Capital gains, other than nonrecognized gain on the sale of a
17 principal residence under section 1034 of the federal internal revenue
18 code, or gain excluded from income under section 121 of the federal
19 internal revenue code to the extent it is reinvested in a new principal
20 residence;

21 (b) Amounts deducted for loss;

22 (c) Amounts deducted for depreciation;

23 (d) Pension and annuity receipts;

24 (e) Military pay and benefits other than attendant-care and
25 medical-aid payments;

26 (f) Veterans' benefits other than attendant-care and medical-aid
27 payments;

28 (g) Federal social security act and railroad retirement benefits;

29 (h) Dividend receipts; and

30 (i) Interest received on state and municipal bonds.

31 (5) "Equity value" means the amount by which the true and fair
32 market value of residence as determined from the records of the county
33 assessor exceeds the total amount of any liens or other obligations
34 against the real property.

35 (6) "Excess property taxes" and "excess property tax levies" mean
36 a tax levy by or for a taxing district that is not subject to the
37 aggregate limitation set forth in RCW 84.52.043 and 84.52.050.

38 (7) "Real property" has the same meaning as provided in RCW
39 84.04.090. In addition, "real property" includes a mobile home that

1 has substantially lost its identity as a mobile unit by virtue of its
2 being fixed in location upon land owned by the owner of the mobile home
3 and placed on a foundation, posts or blocks, with fixed pipe,
4 connections with sewer, water, or other utilities.

5 (8) "Real property taxes" means the total regular and excess
6 property tax levies on property within this state as authorized by law.

7 (9) "Regular property taxes" and "regular property tax levies" have
8 the same meaning as provided in RCW 84.04.140.

9 (10) "Residence" means a single-family dwelling unit whether the
10 unit is separate or part of a multi-unit dwelling, including the land
11 on which the dwelling stands not to exceed one acre. "Residence" also
12 includes a share ownership in a cooperative housing association,
13 corporation, or partnership if the person claiming exemption can
14 establish that his or her share represents the specific unit or portion
15 of the structure in which he or she resides. "Residence" also includes
16 a single-family dwelling situated upon lands the fee of which is vested
17 in the United States or an instrumentality of the United States
18 including an Indian tribe or in the state of Washington, and
19 notwithstanding RCW 84.04.080 or 84.04.090, such a residence is deemed
20 real property.

21 NEW SECTION. **Sec. 3.** DEFERRAL AUTHORIZED. A claimant may apply
22 to defer payment of that amount of real property taxes imposed that
23 exceeds four percent of the claimant's combined disposable income up to
24 a maximum dollar amount equal to fifty percent of the claimant's equity
25 value in the property for which the deferral is requested.

26 NEW SECTION. **Sec. 4.** CONDITIONS OF DEFERRAL. The following
27 conditions must be met in order to be eligible for the deferral program
28 established in this chapter:

29 (1) The real property taxes must have been imposed upon a residence
30 that was occupied by the claimant as a principal place of residence as
31 of the first day of January of the year for which the deferral is
32 claimed;

33 (2) The claimant must have owned, at the time of filing, in fee, as
34 a life estate, or by contract purchase, the residence on which the
35 property taxes have been imposed or if the claimant lives in a
36 cooperative housing association, corporation, or partnership, the
37 person must own a share in the cooperative representing the unit or

1 portion of the structure in which he or she resides. For purposes of
2 this subsection, a residence owned by a marital community or owned by
3 cotenants is deemed to be owned by each spouse or cotenant, and a lease
4 for life is deemed a life estate;

5 (3) The claimant must submit acceptable proof of his or her total
6 combined disposable income for the year for which the deferral is
7 claimed;

8 (4) The claimant must show adequate proof that there is in force
9 fire and casualty insurance on the residence for which the deferral is
10 claimed in an amount sufficient to protect the interest of the state in
11 the claimant's equity value. If the claimant fails to or cannot
12 maintain adequate fire and casualty insurance as required to protect
13 the state's interest in the claimant's equity value, the amount
14 deferred may not exceed eighty percent of the claimant's equity value
15 in the land or lot only; and

16 (5) The claimant may not be receiving or applying for another
17 exemption or deferral provided under this title.

18 NEW SECTION. Sec. 5. CLAIM TO DEFER REAL PROPERTY TAXES--NOTICE--
19 FILING--CONTENTS--APPEAL. (1) The department and each local assessor
20 shall publicize the eligibility requirements and manner of submitting
21 a claim for a deferral under this chapter as the department or assessor
22 deems appropriate. At a minimum, the department or the assessor shall
23 provide notice of the availability of this deferral program, the method
24 for making a deferral claim, the penalties for false claims or not
25 reporting changes in status, and the availability of more detailed
26 information on or with the property tax notices and revaluation notices
27 for all residential real property.

28 (2) A written claim for the deferral of real property taxes as
29 provided by this chapter:

30 (a) Must be made and filed annually by the claimant with the county
31 assessor on forms adopted by the department and supplied by the county
32 assessor;

33 (b) May not be granted for more than one tax year under any
34 circumstances; and

35 (c) Must be filed no later than thirty days before the real
36 property tax assessment is due. However, for good cause shown, the
37 department may waive this requirement.

1 (3) The written claim for deferral of real property taxes must at
2 a minimum contain the following information:

3 (a) The legal description of the residence for which the deferral
4 is claimed;

5 (b) A list of all members of the claimant's household;

6 (c) The claimant's equity value in the residence at the time the
7 claim is made;

8 (d) Facts establishing the eligibility for deferral under this
9 chapter; and

10 (e) Other relevant information required by rule adopted by the
11 department.

12 (4) A claim and renewal for deferral under this chapter must be
13 made and signed by the claimant or by the claimant's attorney in fact,
14 subject to the penalties as provided in chapter 9.72 RCW for false
15 swearing. If the residence of the person is under mortgage, contract
16 of sale, or deed of trust requiring accumulation of reserves out of
17 which the holder of the mortgage, contract of sale, or deed of trust is
18 required to pay real property taxes, the holder of the mortgage,
19 contract of sale, or deed of trust must cosign the claim for deferral
20 before a notary public or the county assessor or his or her deputy in
21 the county where the residence is located. If a claim for exemption is
22 made by a person living in a cooperative housing association,
23 corporation, or partnership, the claim must be made and signed by the
24 claimant and by the authorized agent of the cooperative.

25 (5) If the claimant is unable to submit his or her own claim for
26 deferral, the claim must be submitted by a duly authorized agent or by
27 a guardian or other person charged with the care of the person or
28 property of the claimant.

29 (6) A claim for deferral and a renewal application must be
30 accompanied by documented verification of income as prescribed by this
31 chapter and other documentation required by rule adopted by the
32 department.

33 (7) A person signing a false claim with the intent to defraud or
34 evade the payment of tax is guilty of the offense of perjury.

35 (8) The real property taxes of a cooperative housing association,
36 corporation, or partnership must be reduced by the amount of tax
37 deferral to which a claimant residing therein is entitled and the
38 cooperative shall reduce any amount owed by the claimant to the
39 cooperative by the exact amount of tax deferral.

1 (9) In January of each year, the county assessor shall send to each
2 claimant who has been granted deferral of real property taxes for the
3 previous year renewal forms and notice to renew.

4 (10) The county assessor shall determine if each claimant must be
5 granted a deferral for each year claimed, but the claimant may appeal
6 this determination to the county board of equalization, whose decision
7 is final as to the deferral of that year.

8 NEW SECTION. **Sec. 6.** CEASING TO RESIDE PERMANENTLY ON PROPERTY
9 SUBJECT TO DEFERRAL DECLARATION. If the claimant declaring his or her
10 intention to defer real property taxes under this chapter ceases to
11 reside permanently on the property for which the claim to defer is made
12 between the date of filing the claim and December 15th of that year,
13 the deferral otherwise allowable under this chapter may not be allowed
14 on the tax roll. However, this section does not apply if the claimant
15 dies, leaving a spouse or cotenant surviving, who is also eligible for
16 the deferral provided in this chapter.

17 NEW SECTION. **Sec. 7.** LIEN OF STATE, MORTGAGE, CONTRACT OF SALE,
18 OR DEED OF TRUST--PRIORITY--AMOUNT--INTEREST. (1) If a portion of a
19 claimant's real property taxes is deferred under this chapter, the
20 amount deferred and required to be paid under section 10 of this act
21 becomes a lien in favor of the state upon the property for which the
22 deferral is granted and has priority as provided in chapters 35.50 and
23 84.60 RCW. However, the interest of a mortgage, contract of sale, or
24 deed of trust holder who is required to cosign a claim for deferral
25 under section 5 of this act has priority to the deferred lien.

26 (2) The lien of the state may accumulate up to fifty percent of the
27 amount of the claimant's equity value in the property for which the
28 deferral is granted and must bear interest at the rate of twelve
29 percent per year from the time the claim for deferral is granted until
30 the obligation is paid.

31 (3) For a mobile home that is considered real property as provided
32 in this title, the department of licensing shall show the state's lien
33 on the certificate of ownership for the mobile home.

34 (4) For other real property, the department shall file a notice of
35 the deferral and the state's lien with the county recorder or auditor.

1 NEW SECTION. **Sec. 8.** DUTIES OF THE COUNTY ASSESSOR. The county
2 assessor shall:

3 (1) Immediately transmit one copy of a claim to defer real property
4 taxes under this chapter to the department. The department may audit
5 a claim and shall notify the assessor as soon as possible of a claim in
6 which a factor appears to disqualify the claimant for the deferral
7 sought;

8 (2) Compute the real property tax rates for the property located
9 within the county as if a deferral provided by this chapter did not
10 exist; and

11 (3) As soon as possible notify the department and the county
12 treasurer of the amount of real property taxes deferred for that year.

13 NEW SECTION. **Sec. 9.** PAYMENTS TO COUNTIES. After receipt of the
14 notification from the county assessor of the amount of real property
15 taxes deferred under this chapter, the department shall pay, from
16 amounts appropriated for that purpose, to the county treasurers an
17 amount equivalent to the total amount so deferred on real property
18 located within the county.

19 NEW SECTION. **Sec. 10.** WHEN DEFERRED REAL PROPERTY TAXES BECOME
20 PAYABLE. A real property tax deferred under this chapter becomes due
21 and payable together with interest as provided in section 7 of this
22 act:

23 (1) Upon the sale of the property that has a deferred real property
24 tax lien upon it;

25 (2) Upon the death of the claimant with an outstanding deferred
26 real property tax lien. However, a surviving spouse or cotenant who
27 remains eligible for a deferral under this chapter may elect to incur
28 the real property tax lien which is then payable by that spouse or
29 cotenant as provided in this section;

30 (3) Upon the condemnation of property with a deferred real property
31 tax lien upon it by a public or private body exercising eminent domain
32 power, except as otherwise provided in RCW 84.60.070;

33 (4) At the time the claimant ceases to reside permanently in the
34 residence for which the deferral has been granted; or

35 (5) Upon the failure of a condition set forth in section 4 of this
36 act.

1 NEW SECTION. **Sec. 11.** COLLECTION OF DEFERRED REAL PROPERTY TAXES.

2 (1) The county treasurer shall collect all the amounts deferred
3 together with interest under this chapter, in the manner provided for
4 in chapter 84.56 RCW. For purposes of collection of deferred real
5 property taxes, chapters 84.56, 84.60, and 84.64 RCW apply.

6 (2) When a deferred real property tax, together with interest, is
7 collected the moneys must be credited to a special account in the
8 county treasury. The county treasurer shall remit the amount of
9 deferred real property tax together with interest to the department
10 within thirty days from the date of collection.

11 (3) The department shall deposit the deferred real property taxes
12 in the state general fund.

13 NEW SECTION. **Sec. 12.** ELECTION TO CONTINUE DEFERRAL BY SURVIVING
14 SPOUSE OR COTENANT. (1) A surviving spouse of the claimant may elect
15 to continue the property in its deferred tax status if the property is
16 the residence of the spouse or cotenant of the claimant and the spouse
17 or cotenant meets the requirements of this chapter.

18 (2) The election under this section to continue the property in its
19 deferred status by the spouse or cotenant of the claimant must be filed
20 in the same manner as an original claim for deferral is filed under
21 this chapter, not later than ninety days from the date of the
22 claimant's death. Thereupon, the property with respect to which the
23 deferral of real property taxes is claimed continues to be treated as
24 deferred property. When the property has been continued in its
25 deferred status by the filing of the spouse or cotenant of the claimant
26 of an election under this section, the spouse or cotenant of the
27 claimant may continue the property in its deferred status in subsequent
28 years by filing a claim under this chapter so long as the spouse or
29 cotenant meets the qualifications set out in this section.

30 NEW SECTION. **Sec. 13.** PAYMENT OF PART OR ALL OF DEFERRED TAXES
31 AUTHORIZED. A claimant may at any time pay a part or all of the
32 deferred real property taxes, but the payment does not affect the
33 deferred tax status of the property.

34 NEW SECTION. **Sec. 14.** COLLECTION OF PERSONAL PROPERTY TAXES NOT
35 AFFECTED. This chapter is not intended to or may not be construed to

1 prevent the collection, by foreclosure, of personal property taxes that
2 become a lien against tax-deferred property.

3 NEW SECTION. **Sec. 15.** FORMS AND RULES. The department shall
4 devise the forms and adopt rules consistent with chapter 34.05 RCW and
5 this chapter as are necessary or desirable to permit its effective
6 administration.

7 NEW SECTION. **Sec. 16.** Sections 1 through 15 of this act shall
8 constitute a new chapter in Title 84 RCW.

9 NEW SECTION. **Sec. 17.** PART HEADINGS AND CAPTIONS. Part headings
10 and captions as used in this act constitute no part of the law.

--- END ---