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**SUBSTITUTE SENATE BILL 6178**

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**State of Washington                      60th Legislature                      2007 1st Special Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Kauffman, Haugen, Rasmussen, Franklin, Brown, Eide, Rockefeller, Kline, Kilmer, Prentice, Hargrove, Shin, Berkey, Oemig and McAuliffe; by request of Governor Gregoire)

READ FIRST TIME 11/29/07.

1            AN ACT Relating to providing a fifty percent property tax deferral  
2 for households with income of fifty-seven thousand dollars or less;  
3 adding a new chapter to Title 84 RCW; creating new sections; providing  
4 an expiration date; and declaring an emergency.

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

6            NEW SECTION.    **Sec. 1.** (1) The legislature finds that there are an  
7 increasing number of economic and financial pressures causing hardships  
8 to many homeowners in the state of Washington. The legislature finds  
9 that the current housing crisis is a key barometer of the insecure  
10 economic situation facing working Washington families. The legislature  
11 finds that, among those hardships, increases in property taxes lead to  
12 undue stress on family budgets causing some homeowners to be at risk of  
13 losing their homes. The legislature finds that financial practices  
14 nationwide have led to an increasingly destabilized housing market  
15 across the country with impacts now being felt here in Washington. The  
16 legislature further finds that by establishing a property tax deferral  
17 program homeowners will be able to remain in their homes. The  
18 legislature further finds that acting now to stabilize the housing  
19 market is an important public purpose.

1 (2) It is the intent of the legislature to: (a) Provide a property  
2 tax safe harbor for families in economic crisis; and (b) prevent  
3 existing homeowners from being driven from their homes because of  
4 overly burdensome property taxes.

5 NEW SECTION. **Sec. 2.** A claimant may defer payment of fifty  
6 percent of special assessments or real property taxes, or both, in any  
7 year in which all of the following conditions are met:

8 (1) The special assessments or property taxes must be imposed upon  
9 a residence that was occupied by the claimant as a principal place of  
10 residence as of January 1st of the year in which the assessments and  
11 taxes are due, subject to the exceptions allowed under RCW  
12 84.36.381(1);

13 (2) The claimant must have combined disposable income, as defined  
14 in RCW 84.36.383, of fifty-seven thousand dollars or less in the  
15 calendar year preceding the filing of the declaration;

16 (3) The claimant must have paid one-half of the total amount of  
17 special assessments and property taxes listed on the tax statement for  
18 the year in which the deferral claim is made;

19 (4) A deferral is not allowed for assessments or taxes levied in  
20 the first five calendar years in which the person owns the residence;

21 (5) The claimant who defers payment of special assessments or real  
22 property taxes, or both, under this section must also meet the  
23 conditions of RCW 84.38.030 (4) and (5);

24 (6) The total amount deferred by a claimant under this chapter must  
25 not exceed forty percent of the amount of the claimant's equity value  
26 in the claimant's residence;

27 (7) The claimant may not defer taxes under both this chapter and  
28 chapter 84.38 RCW; and

29 (8) In the case of deferred special assessments, the claimant must  
30 have opted for payment of the assessments on the installment method if  
31 this method was available.

32 NEW SECTION. **Sec. 3.** The definitions in RCW 84.38.020 apply to  
33 this chapter. For purposes of this chapter, references to "this  
34 chapter" in any of the definitions in RCW 84.38.020 shall be  
35 interpreted to refer to chapter 84.-- RCW (this chapter), unless the  
36 context clearly requires otherwise.

1        NEW SECTION.    **Sec. 4.**    (1) Each claimant electing to defer payment  
2 of special assessments or real property tax obligations, or both, under  
3 this chapter shall file with the county assessor, on forms prescribed  
4 by the department and supplied by the assessor, a written declaration  
5 thereof.    The declaration to defer special assessments and/or real  
6 property taxes for any year shall be filed no later than the first day  
7 of September of the year for which the deferral is sought:    PROVIDED,  
8 That for good cause shown, the department may waive this requirement.

9        (2) The declaration shall designate the property to which the  
10 deferral applies, and shall include a statement setting forth (a) a  
11 list of all members of the claimant's household, (b) the claimant's  
12 equity value in his or her residence, (c) facts establishing the  
13 eligibility for the deferral under the provisions of this chapter, and  
14 (d) any other relevant information required by the rules of the  
15 department.    Each copy shall be signed by the claimant subject to the  
16 penalties as provided in chapter 9A.72 RCW for false swearing.

17        (3) The county assessor shall determine if each claimant shall be  
18 granted a deferral for each year but the claimant shall have the right  
19 to appeal this determination to the county board of equalization, in  
20 accordance with the provisions of RCW 84.40.038, whose decision shall  
21 be final as to the deferral of that year.

22        NEW SECTION.    **Sec. 5.**    (1) The provisions of RCW 84.38.050(1)(b)  
23 apply to declarations to defer special assessments or property taxes,  
24 or both, for all years following the first year.

25        (2) The provisions of RCW 84.38.070 apply to claimants ceasing to  
26 reside permanently on the property for which the declaration to defer  
27 is made between the date of filing the declaration and December 15th of  
28 that year.

29        NEW SECTION.    **Sec. 6.**    A person's right to defer special  
30 assessments or property tax obligations, or both, under this chapter  
31 may not be reduced by contract or agreement.

32        NEW SECTION.    **Sec. 7.**    Whenever a person's special assessment or  
33 real property tax obligation, or both, is deferred under the provisions  
34 of this chapter, the amount deferred and required to be paid pursuant  
35 to RCW 84.38.120 shall become a lien in favor of the state upon his or

1 her property and shall have priority as provided in chapters 35.50 and  
2 84.60 RCW: PROVIDED, That the interest of a mortgage or purchase  
3 contract holder who requires an accumulation of reserves out of which  
4 real estate taxes are paid shall have priority to said deferred lien.  
5 This lien may accumulate up to forty percent of the amount of the  
6 claimant's equity value in said property and the rate of interest shall  
7 be an average of the federal short-term rate as defined in 26 U.S.C.  
8 Sec. 1274(d) plus two percentage points. The rate set for each new  
9 year shall be computed by taking an arithmetical average to the nearest  
10 percentage point of the federal short-term rate, compounded annually.  
11 That average shall be calculated using the rates from four months:  
12 January, April, and July of the calendar year immediately preceding the  
13 new year, and October of the previous preceding year. The interest  
14 shall be calculated from the time it could have been paid before  
15 delinquency until said obligation is paid. In the case of a mobile  
16 home, the department of licensing shall show the state's lien on the  
17 certificate of ownership for the mobile home. In the case of all other  
18 property, the department of revenue shall file a notice of the deferral  
19 with the county recorder or auditor.

20 NEW SECTION. **Sec. 8.** Special assessments or real property tax  
21 obligations, or both, deferred under this chapter shall become payable  
22 together with interest as provided in section 7 of this act:

23 (1) Upon the sale of property which has a deferred special  
24 assessment lien or real property tax lien, or both, upon it;

25 (2) Upon the death of the claimant with an outstanding deferred  
26 special assessment lien or real property tax lien, or both, except a  
27 surviving spouse who is qualified under this chapter may elect to incur  
28 the special assessment lien or real property tax lien, or both, which  
29 shall then be payable by that spouse as provided in this section;

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

34 (4) At such time as the claimant ceases to reside permanently in  
35 the residence upon which the deferral has been granted.

1        NEW SECTION.    **Sec. 9.**    The provisions of RCW 84.38.110, 84.38.120,  
2    84.38.140, 84.38.150, 84.38.160, 84.38.170, and 84.38.180 apply to this  
3    chapter to the extent that they do not conflict with the provisions of  
4    this chapter.    For purposes of this chapter, references to "this  
5    chapter" in any of the statutes listed in this section shall be  
6    interpreted to refer to chapter 84.-- RCW (this chapter) unless the  
7    context clearly requires otherwise.

8        NEW SECTION.    **Sec. 10.**    Sections 1 through 9 of this act constitute  
9    a new chapter in Title 84 RCW.

10       NEW SECTION.    **Sec. 11.**    If any provision of this act or its  
11    application to any person or circumstance is held invalid, the  
12    remainder of the act or the application of the provision to other  
13    persons or circumstances is not affected.

14       NEW SECTION.    **Sec. 12.**    This act applies to taxes due and payable  
15    after April 30, 2008, and thereafter.

16       NEW SECTION.    **Sec. 13.**    (1) During calendar year 2011, the joint  
17    legislative audit and review committee shall review the property tax  
18    deferral program under chapter 84.-- RCW (sections 1 through 9 of this  
19    act). The department of revenue and county assessors shall provide the  
20    committee with any data within its purview that the committee considers  
21    necessary to conduct the review.    By December 1, 2011, the joint  
22    legislative audit and review committee shall report to the legislature  
23    the results of its review.

24       (2) As part of its review under subsection (1) of this section, the  
25    committee shall study and report on:

26       (a) The effectiveness of the property tax deferral program in  
27    assisting families in economic distress in remaining in their homes;

28       (b) The effectiveness of the property tax deferral program in  
29    decreasing the default rate on residential mortgages for the statewide  
30    population within the income threshold of the program;

31       (c) The number of potential participants per thousand population by  
32    geographic region;

33       (d) The ratio of actual deferral program participants to potential  
34    deferral program participants by geographic region;

1           (e) The ratio of average annual household property taxes for  
2 deferral program participants and average annual income of deferral  
3 program participants by geographic region;

4           (f) Economic conditions in the housing and lending markets for the  
5 prior three years and the forecasted economic conditions for the  
6 current biennium and the next succeeding biennium;

7           (g) Annual costs specific to the administration of the deferral  
8 program;

9           (h) Total annual costs of the deferral program;

10           (i) Recommended changes to the deferral program that would increase  
11 program participation;

12           (j) Any other recommendations the committee may have to improve the  
13 deferral program; and

14           (k) Any other factors that the committee considers necessary to  
15 properly evaluate the deferral program.

16           (3) This section expires January 1, 2012.

17           NEW SECTION.   **Sec. 14.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of the  
19 state government and its existing public institutions, and takes effect  
20 immediately.

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