S-0946.2

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**SENATE BILL 5463**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Senator Wilson, L.

AN ACT Relating to exempting a portion of the valuation of residential property from property taxation; amending RCW 84.48.010 and 84.69.020; adding a new section to chapter 84.36 RCW; adding a new section to chapter 84.52 RCW; and providing a contingent effective date.

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

NEW SECTION. **Sec.**  A new section is added to chapter 84.36 RCW to read as follows:

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Claimant" means an individual who has applied for or is receiving a homestead exemption.

(b) "Homestead exemption" means an exemption from a portion of state property taxes.

(c) "Manufactured/mobile home," "manufactured housing cooperative," "mobile home park cooperative," and "park model" have the same meanings as provided in RCW 59.20.030.

(d) "Residence" means a single-family dwelling unit whether such unit is separate or part of a multiunit dwelling, including the land on which such dwelling stands. "Residence" includes:

(i) A single-family dwelling situated upon lands the fee of which is vested in or held in trust by the United States or any of its instrumentalities, a federally recognized Indian tribe, the state of Washington or any of its political subdivisions, or a municipal corporation;

(ii) A single-family dwelling consisting of a manufactured/mobile home or park model that has substantially lost its identity as a mobile unit by virtue of its being fixed in location and placed on a foundation with fixed pipe connections with sewer, water, or other utilities; and

(iii) A single-family dwelling consisting of a floating home as defined in RCW 82.45.032.

(2)(a) Subject to the conditions in this section, a portion of the assessed value of a residence is exempt from the total state property tax under RCW 84.52.065 (1) and (2). Beginning with taxes levied for collection in calendar year 2022 and subject to the adjustments and limitations in subsection (3) of this section, the exemption from state property taxes is equal to:

(i) The first $250,000 of valuation of each residential tax parcel consisting of fewer than three residences; and

(ii) The first $250,000 of valuation of each residence within a multiunit residential dwelling wherein each residence is owned and taxed separately or is owned by members of a cooperative housing association, corporation, or partnership.

(b) For taxes levied for collection in calendar year 2023 and each subsequent year thereafter, the amount of homestead exemption must be increased from the prior year's exemption amount by the percentage growth in the state levy for the prior calendar year. The department is responsible for making a determination of any increase in the amount of the homestead exemption and may round the dollar amount of the homestead exemption to the nearest thousand dollars.

(3)(a) The county assessor must multiply the amount of the homestead exemption for a tax year by the combined indicated ratio fixed by the department for the county in which the residence is located and used by the department to determine the equalized state levy rate for that county for that tax year.

(b) The amount of the homestead exemption for a residence may not result in a tax reduction that exceeds the amount of state property taxes that would otherwise be levied on that residence.

(4) The homestead exemption is in addition to the exemption provided in RCW 84.36.379 through 84.36.389.

(5)(a) The homestead exemption must be claimed and renewed on declaration and renewal declaration forms developed by the department or by the county assessor and approved by the department. Each county assessor must make declaration and renewal declaration forms available at the assessor's office, on the assessor's official website, and by mail or email upon request.

(b) The claimant or his or her designated agent or legal guardian must sign the declaration or renewal declaration declaring that the property for which a homestead exemption is sought is the claimant's principal residence within the meaning of subsection (6)(a) and (b) of this section. If the claimant resides in a cooperative housing association, corporation, or partnership, the declaration or renewal declaration must also be signed by the authorized agent of such cooperative. If the claimant holds a life estate in the residence for which a homestead exemption is claimed and the claimant is not shown on the tax rolls as the taxpayer for that residence, the remainderman or other person shown on the tax rolls as the taxpayer must also sign the declaration or renewal declaration. All signatures on a declaration or renewal declaration must be made under penalty of perjury.

(c) Notice of the homestead exemption and where to obtain further information about the exemption must be included on or with property tax statements and revaluation notices for residential property. The department and each county assessor are required to publicize the qualifications and manner of making claims for the homestead exemption, including such paid advertisements or notices as deemed appropriate in the sole discretion of the department and county assessors.

(6) The following conditions apply to homestead exemptions:

(a) The residence must be occupied by the claimant as his or her principal place of residence as of the date of the signed declaration or renewal declaration under subsection (5) of this section. A claimant who sells, transfers, or is displaced from his or her residence may transfer his or her exemption status to a replacement residence, but no claimant may receive a homestead exemption on more than one residence in any calendar year. However, the confinement of the claimant to a hospital, nursing home, assisted living facility, or adult family home will not disqualify the claim of exemption if:

(i) The residence is temporarily unoccupied;

(ii) The residence is occupied by either a spouse, state registered domestic partner, or a person financially dependent on the claimant for support, or both; or

(iii) The residence is rented for the purpose of paying the claimant's costs of a nursing home, hospital, assisted living facility, or adult family home.

(b) At the time of signing the declaration or renewal declaration:

(i) The claimant must have owned, in fee or by contract purchase, or have held a life estate in, the residence for which the homestead exemption is claimed; or

(ii) If the claimant resides in a cooperative housing association, corporation, or partnership, including a mobile home park cooperative or manufactured housing cooperative, the claimant must own a share in the cooperative representing the unit or dwelling in which he or she resides or the lot on which his or her manufactured/mobile home or park model is situated.

(c) For purposes of this subsection, a residence owned by a marital community, state registered domestic partners, or cotenants is deemed to be owned by each spouse, domestic partner, or cotenant, and any lease for life is deemed a life estate.

(d) Except as provided in (e) of this subsection, the declaration form identified in subsection (5) of this section must be signed and returned to the county assessor no later than June 30th for exemption from state taxes payable the following year.

(e) A homestead exemption continues for no more than six consecutive years unless a renewal declaration is filed with the county assessor. At least once every six years the county assessor must, no later than March 1st, notify claimants currently receiving a homestead exemption of the requirement to file a renewal declaration. The county assessor may also require a renewal declaration following any change in state law regarding the qualifications or conditions for the homestead exemption. Each claimant receiving a homestead exemption must file with the county assessor a renewal declaration no later than June 30th of the year the assessor notifies such person of the requirement to file the renewal declaration.

(f)(i) The assessed value of a dwelling owned by a cooperative housing association, corporation, or partnership must be reduced, for purposes of state property taxes levied on the dwelling, by the amount of homestead exemption to which a claimant residing in that dwelling is entitled. The cooperative must pass the full amount of its property tax savings under this section to its members in proportion to each member's homestead exemption. The cooperative may meet its obligation under this subsection (6)(f)(i) by reducing the amount owed by the members to the cooperative or, if no amount be owed, by making payment to the members.

(ii) A mobile home park cooperative or manufactured housing cooperative is entitled to any unused portion of the homestead exemption of its members. A mobile home park cooperative or manufactured housing cooperative receiving the unused portion of the homestead exemption of its members must pass the full amount of its property tax savings to its members in proportion to each member's unused homestead exemption. The cooperative may meet its obligation under this subsection (6)(f)(ii) by reducing the amount owed by the members to the cooperative or, if no amount be owed, by making payment to the members. For purposes of this subsection (6)(f)(ii), "unused portion of the homestead exemption" means the amount by which the maximum allowable homestead exemption exceeds the assessed value of the manufactured/mobile home or park model owned by a member of the mobile home park cooperative or manufactured housing cooperative.

(g) A claimant granted a homestead exemption must immediately inform the county assessor, on forms created or approved by the department, of any change in status affecting the claimant's entitlement to a homestead exemption.

(h) Where a claimant has a life estate in his or her residence and a remainderman or other person would have otherwise paid the state property tax exempted on the residence as a result of the claimant's homestead exemption, such remainderman or other person must reduce the amount owed by the claimant to the remainderman or other person by the amount of the tax savings from the claimant's homestead exemption. If no amount is owed by the claimant to the remainderman or other person, the remainderman or other person must make payment to the claimant in the full amount of the tax savings from the claimant's homestead exemption.

(7)(a)(i) If the assessor finds that the claimant's residence does not meet the qualifications for a homestead exemption, the assessor must deny or cancel the homestead exemption.

(ii) If the assessor receives a declaration or renewal declaration after the deadline in subsection (6)(d) or (e) of this section, the assessor must deny the homestead exemption unless the assessor determines that the claimant qualifies for the homestead exemption and that good cause exists to excuse the late filing. A claimant whose homestead exemption was denied or canceled because the declaration or renewal declaration was filed after the deadline in subsection (6)(d) or (e) of this subsection may seek a refund of state property taxes paid as a result of the denial or cancellation, as provided in RCW 84.69.020. For purposes of this subsection (7)(a)(ii), good cause may be shown by one or more of the following circumstances:

(A) Death or serious illness of the claimant or a member of the claimant's immediate family, as defined in RCW 42.17A.005, within two weeks of the due date of the declaration or renewal declaration;

(B) The declaration or renewal declaration was mailed timely but inadvertently sent to the wrong address;

(C) The claimant received incorrect, ambiguous, or misleading written advice regarding the qualifications or filing requirements for the homestead exemption from the county assessor's staff;

(D) Natural disaster, such as flood or earthquake, occurring within two weeks of the due date of the declaration or renewal declaration;

(E) Delay or loss of the declaration or renewal declaration by the postal service, and documented by the postal service;

(F) The claimant was not sent a notice of the requirement to file a renewal declaration within the six-year period as required by subsection (6)(e) of this section; or

(G) Other circumstances as the department may provide by rule.

(b) A denial or cancellation under this subsection is subject to appeal under the provisions of RCW 84.48.010 and in accordance with the provisions of RCW 84.40.038.

(c) If the assessor determines that the claimant had received a homestead exemption in error in prior years, the county treasurer must collect all state property taxes that would have been paid on the claimant's residence for the prior years had the homestead exemption not been claimed, not to exceed six years. Interest, but not penalties, applies to such taxes and is computed at the same rates and in the same way as interest is computed on delinquent taxes. Taxes and interest imposed under this subsection (7)(c): (i) Must be extended on the tax roll; (ii) are due within 30 days after the date of the treasurer's billing for such taxes and interest; and (iii) constitute a lien on the real property to which the tax and interest applies as provided in chapter 84.60 RCW.

(8) The department may conduct audits of the administration of this section and claims filed for the homestead exemption as the department considers necessary. The powers of the department under chapter 84.08 RCW apply to these audits.

(9) The homestead exemption under this section applies to the total state property tax levied under RCW 84.52.065. The exemption does not apply to any local property taxes.

(10) The department may adopt such rules in accordance with chapter 34.05 RCW, and prescribe such forms, as the department deems necessary and appropriate to implement and administer this section.

NEW SECTION. **Sec.**  A new section is added to chapter 84.52 RCW to read as follows:

Pursuant to the provisions of Article VII, section . . . (Senate Joint Resolution No. . . . (S-0947/21)), the state levy must be reduced as necessary to prevent the value exempted under the homestead exemption in section 1 of this act from resulting in a higher tax rate than would have occurred in the absence of the homestead exemption.

**Sec.**  RCW 84.48.010 and 2017 c 155 s 1 are each amended to read as follows:

(1) Prior to July 15th, the county legislative authority must form a board for the equalization of the assessment of the property of the county. The members of the board must receive a per diem amount as set by the county legislative authority for each day of actual attendance of the meeting of the board of equalization to be paid out of the current expense fund of the county. However, when the county legislative authority constitutes the board they may only receive their compensation as members of the county legislative authority. The board of equalization must meet in open session for this purpose annually on the 15th day of July or within fourteen days of certification of the county assessment rolls, whichever is later, and, having each taken an oath fairly and impartially to perform their duties as members of such board, they must examine and compare the returns of the assessment of the property of the county and proceed to equalize the same, so that each tract or lot of real property and each article or class of personal property must be entered on the assessment list at its true and fair value, according to the measure of value used by the county assessor in such assessment year, which is presumed to be correct under RCW 84.40.0301, and subject to the following rules:

(a) They must raise the valuation of each tract or lot or item of real property which is returned below its true and fair value to such price or sum as to be the true and fair value thereof, after at least five days' notice must have been given in writing to the owner or agent.

(b) They must reduce the valuation of each tract or lot or item which is returned above its true and fair value to such price or sum as to be the true and fair value thereof.

(c) They must raise the valuation of each class of personal property which is returned below its true and fair value to such price or sum as to be the true and fair value thereof, and they must raise the aggregate value of the personal property of each individual whenever the aggregate value is less than the true valuation of the taxable personal property possessed by such individual, to such sum or amount as to be the true value thereof, after at least five days' notice must have been given in writing to the owner or agent thereof.

(d) They must reduce the valuation of each class of personal property enumerated on the detail and assessment list of the current year, which is returned above its true and fair value, to such price or sum as to be the true and fair value thereof; and they must reduce the aggregate valuation of the personal property of such individual who has been assessed at too large a sum to such sum or amount as was the true and fair value of the personal property.

(e) The board may review all claims for either real or personal property tax exemption, or homestead exemptions under section 1 of this act, as determined by the county assessor, and must consider any taxpayer appeals from the decision of the assessor thereon to determine (i) if the taxpayer is entitled to an exemption, and (ii) if so, the amount thereof.

(2) The board must notify the taxpayer and assessor of the board's decision within forty-five days of any hearing on the taxpayer's appeal of the assessor's valuation of real or personal property.

(3) The clerk of the board must keep an accurate journal or record of the proceedings and orders of the board showing the facts and evidence upon which their action is based, and the record must be published the same as other proceedings of county legislative authority, and must make a true record of the changes of the descriptions and assessed values ordered by the county board of equalization. The assessor must correct the real and personal assessment rolls in accordance with the changes made by the county board of equalization.

(4) The county board of equalization must meet on the 15th day of July or within fourteen days of certification of the county assessment rolls, whichever is later, and may continue in session and adjourn from time to time during a period not to exceed four weeks, but must remain in session not less than three days. However, the county board of equalization with the approval of the county legislative authority may convene at any time when petitions filed exceed twenty-five, or ten percent of the number of appeals filed in the preceding year, whichever is greater.

(5) No taxes, except special taxes, may be extended upon the tax rolls until the property valuations are equalized by the department of revenue for the purpose of raising the state revenue.

(6) County legislative authorities as such have at no time any authority to change the valuation of the property of any person or to release or commute in whole or in part the taxes due on the property of any person.

**Sec.**  RCW 84.69.020 and 2017 3rd sp.s. c 13 s 310 are each amended to read as follows:

(1) On the order of the county treasurer, ad valorem taxes paid before or after delinquency must be refunded if they were:

((~~(1)~~)) (a) Paid more than once;

((~~(2)~~)) (b) Paid as a result of manifest error in description;

((~~(3)~~)) (c) Paid as a result of a clerical error in extending the tax rolls;

((~~(4)~~)) (d) Paid as a result of other clerical errors in listing property;

((~~(5)~~)) (e) Paid with respect to improvements which did not exist on assessment date;

((~~(6)~~)) (f) Paid under levies or statutes adjudicated to be illegal or unconstitutional;

((~~(7)~~)) (g) Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted from paying real property taxes or a portion thereof pursuant to RCW 84.36.381 through 84.36.389, as now or hereafter amended;

((~~(8)~~)) (h) Paid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person with respect to real property in which the person paying the same has no legal interest;

((~~(9)~~)) (i) Paid on the basis of an assessed valuation which was appealed to the county board of equalization and ordered reduced by the board;

((~~(10)~~)) (j) Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board: PROVIDED, That the amount refunded under (i) and (j) of this subsection((~~s (9) and (10) of this section shall~~)) may only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order;

((~~(11)~~)) (k) Paid as a state property tax levied upon property, the assessed value of which has been established by the state board of tax appeals for the year of such levy: PROVIDED, HOWEVER, That the amount refunded ((~~shall~~)) may only be for the difference between the state property tax paid and the amount of state property tax which would, when added to all other property taxes within the one percent limitation of Article VII, section 2 of the state Constitution equal one percent of the assessed value established by the board;

((~~(12)~~)) (l) Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive: PROVIDED, That the amount refunded ((~~shall be~~)) is for the difference between the amount of tax which was paid on the basis of the valuation adjudged unlawful or excessive and the amount of tax payable on the basis of the assessed valuation determined as a result of the proceeding;

((~~(13)~~)) (m) Paid on property acquired under RCW 84.60.050, and canceled under RCW 84.60.050(2);

((~~(14)~~)) (n) Paid on the basis of an assessed valuation that was reduced under RCW 84.48.065;

((~~(15)~~)) (o) Paid on the basis of an assessed valuation that was reduced under RCW 84.40.039; or

((~~(16)~~)) (p) Abated under RCW 84.70.010.

(2) No refunds under the provisions of this section ((~~shall~~)) may be made because of any error in determining the valuation of property, except as authorized in subsection((~~s (9), (10), (11), and (12)~~)) (1) (i) through (l) of this section nor may any refunds be made if a bona fide purchaser has acquired rights that would preclude the assessment and collection of the refunded tax from the property that should properly have been charged with the tax. Any refunds made on delinquent taxes must include the proportionate amount of interest and penalties paid. However, no refunds as a result of an incorrect payment authorized under subsection ((~~(8)~~)) (1)(h) of this section made by a third party payee ((~~shall~~)) may be granted. The county treasurer may deduct from moneys collected for the benefit of the state's levies, refunds of the state's levies including interest on the levies as provided by this section and chapter 84.68 RCW.

(3) The county treasurer of each county must make all refunds determined to be authorized by this section, and by the first Monday in February of each year, report to the county legislative authority a list of all refunds made under this section during the previous year. The list is to include the name of the person receiving the refund, the amount of the refund, and the reason for the refund.

NEW SECTION. **Sec.**  This act takes effect January 1, 2022, if the proposed amendment to Article VII of the state Constitution (Senate Joint Resolution No. . . . (S-0947/21)), providing for a homestead exemption, is validly submitted to and is approved and ratified by the voters at the next general election.

**--- END ---**