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HOUSE BILL 2624

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State of Washington                      54th Legislature                      1996 Regular Session

By Representatives B. Thomas, Carrell and Thompson

Read first time 01/15/96. Referred to Committee on Finance.

1            AN ACT Relating to intangible personal property; amending RCW  
2 84.36.070, 84.40.030, and 84.48.080; and creating new sections.

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

4            **Sec. 1.** RCW 84.36.070 and 1974 ex.s. c 118 s 1 are each amended to  
5 read as follows:

6            ~~((The following))~~ (1) Intangible personal property shall be exempt  
7 from ~~((ad valorem))~~ property taxation~~((÷))~~.

8            (2) "Intangible personal property" means:

9            (a) All moneys and credits including mortgages, notes, accounts,  
10 certificates of deposit, tax certificates, judgments, state, county and  
11 municipal bonds and warrants ~~((and))~~ , bonds and warrants of other  
12 taxing districts, bonds of the United States and of foreign countries  
13 or political subdivisions thereof, and the bonds, stocks, or shares of  
14 private corporations~~((÷))~~ ;

15            (b) Private nongovernmental personal service contracts ~~((or))~~ ,  
16 private nongovernmental athletic or sports franchises, or private  
17 nongovernmental athletic or sports agreements provided that ~~((such))~~  
18 the contracts, franchises, or agreements do not pertain to the use or

1 possession of tangible personal or real property or to any interest in  
2 tangible personal or real property; and

3 (c) Other intangible assets including, but not limited to,  
4 trademarks, trade names, brand names, patents, copyrights, trade  
5 secrets, franchise agreements, licenses, permits, noncompete  
6 agreements, clientele, customer lists, patient lists, favorable  
7 contracts, favorable financing agreements, reputation, exceptional  
8 management, prestige, good name, or integrity of a business.

9 **Sec. 2.** RCW 84.40.030 and 1994 c 124 s 20 are each amended to read  
10 as follows:

11 (1) All property shall be valued at one hundred percent of its true  
12 and fair value in money and assessed on the same basis unless  
13 specifically provided otherwise by law.

14 (2) Taxable leasehold estates shall be valued at such price as they  
15 would bring at a fair, voluntary sale for cash without any deductions  
16 for any indebtedness owed including rentals to be paid.

17 (3) The existence of intangible assets, as defined in RCW  
18 84.36.070(2)(c), may be considered in determining the highest and best  
19 use of taxable property for the purposes of this title. Existing  
20 intangible assets that are exclusively held by a particular taxpayer  
21 shall not be reflected in the value of taxable property.

22 (4) Characteristics or attributes of property, such as zoning,  
23 location, view, geographic features, easements, covenants, proximity to  
24 raw materials, condition of surrounding property, proximity to markets,  
25 and the availability of a skilled work force, shall be reflected in the  
26 value of taxable property. Characteristics and attributes do not  
27 include intangible assets as defined in RCW 84.36.070(2)(c).

28 (5) The true and fair value of real property for taxation purposes  
29 (including property upon which there is a coal or other mine, or stone  
30 or other quarry) shall be based upon the following criteria:

31 ~~((1))~~ (a) Any sales of the property being appraised or similar  
32 properties with respect to sales made within the past five years. The  
33 appraisal shall be consistent with the comprehensive land use plan,  
34 development regulations under chapter 36.70A RCW, zoning, and any other  
35 governmental policies or practices in effect at the time of appraisal  
36 that affect the use of property, as well as physical and environmental  
37 influences. The appraisal shall also take into account: ~~((a))~~ (i)  
38 In the use of sales by real estate contract as similar sales, the

1 extent, if any, to which the stated selling price has been increased by  
2 reason of the down payment, interest rate, or other financing terms;  
3 and ~~((+b))~~ (ii) the extent to which the sale of a similar property  
4 actually represents the general effective market demand for property of  
5 such type, in the geographical area in which such property is located.  
6 Sales involving deed releases or similar seller-developer financing  
7 arrangements shall not be used as sales of similar property.

8 ~~((+2))~~ (b) In addition to sales as defined in (a) of this  
9 subsection ~~((+1))~~, consideration may be given to cost, cost less  
10 depreciation, reconstruction cost less depreciation, or capitalization  
11 of income that would be derived from prudent use of the property. In  
12 the case of property of a complex nature, or being used under terms of  
13 a franchise from a public agency, or operating as a public utility, or  
14 property not having a record of sale within five years and not having  
15 a significant number of sales of similar property in the general area,  
16 the provisions of this subsection ~~((+2))~~ (5)(b) shall be the dominant  
17 factors in valuation. When provisions of this subsection ~~((+2))~~  
18 (5)(b) are relied upon for establishing values the property owner shall  
19 be advised upon request of the factors used in arriving at such value.

20 ~~((+3))~~ (c) In valuing any tract or parcel of real property, the  
21 value of the land, exclusive of structures thereon shall be determined;  
22 also the value of structures thereon, but the valuation shall not  
23 exceed the value of the total property as it exists. In valuing  
24 agricultural land, growing crops shall be excluded.

25 **Sec. 3.** RCW 84.48.080 and 1995 2nd sp.s. c 13 s 3 are each amended  
26 to read as follows:

27 (1) Annually during the months of September and October, the  
28 department of revenue shall examine and compare the returns of the  
29 assessment of the property in the several counties of the state, and  
30 the assessment of the property of railroad and other companies assessed  
31 by the department, and proceed to equalize the same, so that each  
32 county in the state shall pay its due and just proportion of the taxes  
33 for state purposes for such assessment year, according to the ratio the  
34 valuation of the property in each county bears to the total valuation  
35 of all property in the state.

36 First. The department shall classify all property, real and  
37 personal, and shall raise and lower the valuation of any class of  
38 property in any county to a value that shall be equal, so far as

1 possible, to the true and fair value of such class as of January 1st of  
2 the current year for the purpose of ascertaining the just amount of tax  
3 due from each county for state purposes. In equalizing personal  
4 property as of January 1st of the current year, the department shall  
5 use the assessment level of the preceding year. Such classification  
6 may be on the basis of types of property, geographical areas, or both.  
7 For purposes of this section, for each county that has not provided the  
8 department with an assessment return by December 1st, the department  
9 shall proceed, using facts and information and in a manner it deems  
10 appropriate, to estimate the value of each class of property in the  
11 county.

12 Second. The department shall keep a full record of its proceedings  
13 and the same shall be published annually by the department.

14 (2) The department shall levy the state taxes authorized by law.  
15 The amount levied in any one year for general state purposes shall not  
16 exceed the lawful dollar rate on the dollar of the assessed value of  
17 the property of the entire state, which assessed value shall be one  
18 hundred percent of the true and fair value of such property in money.  
19 The department shall apportion the amount of tax for state purposes  
20 levied by the department, among the several counties, in proportion to  
21 the valuation of the taxable property of the county for the year as  
22 equalized by the department: PROVIDED, That for purposes of this  
23 apportionment, the department shall recompute the previous year's levy  
24 and the apportionment thereof to correct for changes and errors in  
25 taxable values reported to the department after October 1 of the  
26 preceding year and shall adjust the apportioned amount of the current  
27 year's state levy for each county by the difference between the  
28 apportioned amounts established by the original and revised levy  
29 computations for the previous year. For purposes of this section,  
30 changes in taxable values mean a final adjustment made by a county  
31 board of equalization, the state board of tax appeals, or a court of  
32 competent jurisdiction and shall include additions of omitted property,  
33 other additions or deletions from the assessment or tax rolls, any  
34 assessment return provided by a county to the department subsequent to  
35 December 1st, or a change in the indicated ratio of a county. Errors  
36 in taxable values mean errors corrected by a final reviewing body.

37 In addition to computing a levy under this subsection that is  
38 reduced under RCW 84.55.012, the department shall compute a  
39 hypothetical levy without regard to the reduction under RCW 84.55.012.

1 This hypothetical levy shall also be apportioned among the several  
2 counties in proportion to the valuation of the taxable property of the  
3 county for the year, as equalized by the department, in the same manner  
4 as the actual levy and shall be used by the county assessors for the  
5 purpose of recomputing and establishing a consolidated levy under RCW  
6 84.52.010.

7 (3) The department shall have authority to adopt rules and  
8 regulations to enforce obedience to its orders in all matters in  
9 relation to the returns of county assessments, the equalization of  
10 values, and the apportionment of the state levy by the department.

11 (4) After the completion of the duties prescribed in this section,  
12 the director of the department shall certify the record of the  
13 proceedings of the department under this section, the tax levies made  
14 for state purposes and the apportionment thereof among the counties,  
15 and the certification shall be available for public inspection.

16 (5) In equalizing personal property as of January 1, 1996, the  
17 department shall treat intangible personal property in the same manner  
18 as intangible personal property is to be treated after the effective  
19 date of this act.

20 NEW SECTION. Sec. 4. If any provision of this act or its  
21 application to any person or circumstance is held invalid, the  
22 remainder of the act or the application of the provision to other  
23 persons or circumstances is not affected.

24 NEW SECTION. Sec. 5. This act shall not be construed to amend or  
25 modify any existing statute or rule relating to the treatment of  
26 computer software for property tax purposes.

27 NEW SECTION. Sec. 6. This act shall be effective for taxes levied  
28 in 1996 for collection in 1997 and thereafter.

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