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SENATE BILL 5828

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State of Washington                      54th Legislature                      1995 Regular Session

By Senators Sutherland, Oke, McCaslin and Rasmussen

Read first time 02/08/95. Referred to Committee on Ways & Means.

1            AN ACT Relating to limiting tax increases on residential real  
2 property; adding a new section to chapter 84.55 RCW; adding a new  
3 chapter to Title 84 RCW; and providing a contingent effective date.

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

5            NEW SECTION.    **Sec. 1.** This chapter provides a limitation on the  
6 rate of increase of the taxes assessed on residential real property in  
7 order to spread rising property taxes over a period of years.

8            NEW SECTION.    **Sec. 2.** For purposes of this chapter, unless the  
9 context requires otherwise:

10            (1)(a) "Change of ownership" means a transfer of a present interest  
11 in real property and includes:

12            (i) A transfer of the beneficial use of real property and includes  
13 the contracting to convey the title to or ownership of real property  
14 upon the fulfillment of one or more stated conditions where the right  
15 to possession of the property is transferred currently;

16            (ii) The creation, transfer, or termination of a joint tenancy  
17 interest;

1 (iii) The creation, transfer, or termination of a tenancy-in-common  
2 interest;

3 (iv) The vesting of a right of possession or enjoyment of a  
4 remainder or reversionary interest that occurs upon the termination of  
5 a life estate or other similar precedent property interest;

6 (v) An interest that vests in persons other than the trustor where  
7 a revocable trust becomes irrevocable; and

8 (vi) The transfer of stock of a cooperative housing corporation,  
9 vested with legal title to real property, that conveys to the  
10 transferee the exclusive right to occupancy and possession of such  
11 property, or a portion of the property.

12 (b) "Change of ownership" does not include:

13 (i) A transfer between coowners that results in a change in the  
14 method of holding title to the real property transferred without  
15 changing the proportional interests of the coowners in the real  
16 property, such as a partition of a tenancy-in-common;

17 (ii) A transfer for the purpose of merely perfecting title to the  
18 real property;

19 (iii) The creation, assignment, termination, or reconveyance of a  
20 security interest in real property; or the substitution of a trustee  
21 under a security instrument;

22 (iv) A transfer of real property by the trustor, or by the  
23 trustor's spouse, or by both, into a trust for so long as the  
24 transferor is the sole present beneficiary of the trust, or the trust  
25 is revocable; or any transfer of real property by a trustee of such  
26 trust back to the trustor;

27 (v) A transfer of real property by an instrument whose terms  
28 reserve to the transferor an estate for years or an estate for life.  
29 However, the termination of such an estate for years or life estate  
30 shall constitute a change of ownership;

31 (vi) A transfer of real property between or among the same parties  
32 for the purpose of correcting or reforming a deed to express the true  
33 intention of the parties, if the original relationship between the  
34 grantor and grantee is not changed; and

35 (vii) An interspousal transfer of real property, including, but not  
36 limited to:

37 (A) Transfers to a trustee for the beneficial use of a spouse, or  
38 the surviving spouse of a deceased transferor, or by a trustee of such  
39 trust to the spouse of the trustor;

1 (B) Transfers that take effect upon the death of a spouse;

2 (C) Transfers to a spouse or former spouse in connection with a  
3 property settlement agreement or decree of dissolution of marriage or  
4 legal separation; and

5 (D) The creation, transfer, or termination, solely between spouses,  
6 of any coowner's interest.

7 (2) "Residential property" means a single-family dwelling unit,  
8 regardless of whether such unit shares a common wall with one or more  
9 other units, including the land upon which such dwelling stands, and  
10 that is owned in its entirety either by a natural person or persons, a  
11 housing cooperative, or a trust.

12 "Residential property" also includes a mobile home that has  
13 substantially lost its identity as a mobile unit by virtue of its being  
14 fixed in location upon land owned or leased by the owner of the mobile  
15 home and placed upon a foundation (posts or blocks) with fixed pipe,  
16 connections with sewer, water, or other utilities.

17 "Residential property" does not include a dwelling unit primarily  
18 used in the conduct of a commercial enterprise or a dwelling unit  
19 located upon real property that is primarily used in the conduct of a  
20 commercial enterprise. Property is considered primarily used in the  
21 conduct of a commercial enterprise if more than one-half of the total  
22 square footage of the property is devoted to commercial use.

23 NEW SECTION. **Sec. 3.** (1) The aggregate of all regular property  
24 tax levies upon residential real property by the state and all taxing  
25 districts shall not increase by more than four percent per year,  
26 compounded annually, except upon a change of ownership of the property.  
27 In applying this limitation for any year, the taxes due in the previous  
28 year shall be the amount of taxes that could have been levied on the  
29 property if the assessed value of the property for taxes due in 1997  
30 were equal to its true and fair value.

31 (2) The limit under this section does not apply to the first levy  
32 on increases in value resulting from improvements made to property in  
33 the previous year, but the limit shall apply to the extent the  
34 improvements restore the property to its previous condition and value  
35 after substantial damage due to fire, storm, or other catastrophic  
36 event.

1 (3) This section does not apply to taxes that have been approved by  
2 the voters pursuant to Article VII, section 2 of the state  
3 Constitution.

4 NEW SECTION. **Sec. 4.** A new section is added to chapter 84.55 RCW  
5 to read as follows:

6 In order to prevent a shift in taxes from residential real property  
7 to other property because of the tax limit under chapter 84.-- RCW  
8 (sections 1 through 3 of this act), the amount of taxes that may be  
9 levied by a taxing district under this chapter shall be reduced by any  
10 reduction in taxes for the appropriate year resulting from the tax  
11 limit under chapter 84.-- RCW (sections 1 through 3 of this act).

12 NEW SECTION. **Sec. 5.** Sections 1 through 3 of this act shall  
13 constitute a new chapter in Title 84 RCW.

14 NEW SECTION. **Sec. 6.** This act shall take effect for taxes payable  
15 in 1997 if the proposed amendment to Article VII of the state  
16 Constitution (SJR S-1439.1/95) is validly submitted to and is approved  
17 and ratified by the voters at a general election held in November 1995.  
18 If the proposed amendment is not so approved and ratified, this act  
19 shall be null and void in its entirety.

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