
HOUSE BILL 2166

State of Washington

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By Representatives Holland, Ferguson, Horn, Wynne, Ballard, Fuhrman, Van Luven, Chandler, Edmondson, Nealey, Schmidt, Wilson, Broback, Prince, Brough, May, Vance, Tate, Hochstatter, Forner, Bowman, Beck, McLean, Betrozoff, Wood, Silver, Miller, D. Sommers, Casada, Brumsickle and Mitchell.

Read first time March 5, 1991. Referred to Committee on Revenue.

1 AN ACT Relating to valuation for property tax purposes; adding new
2 sections to chapter 84.36 RCW; creating a new section; and providing a
3 contingent effective date.

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

5 NEW SECTION. **Sec. 1.** It is the intent of sections 2 through
6 8 of this act to provide property tax relief for homeowners whose home
7 values are increasing at a rapid rate. This rapid increase in home
8 values often has the effect of increasing property taxes without an
9 accompanying increase in a homeowner's ability to pay. Sections 2
10 through 8 of this act provide for a limitation on the rate of increase
11 of the assessed values of real property so that the effect of rapidly
12 rising property taxes is spread over a period of years.

13 NEW SECTION. **Sec. 2.** For purposes of sections 3 through 8 of
14 this act, unless the context requires otherwise:

1 (1) "Change of ownership" means a transfer of a present interest in
2 real property, including a transfer of the beneficial use of real
3 property.

4 (a) Except as provided in (c) of this subsection, a change of
5 ownership of a present interest in real property shall also include,
6 but not be limited to:

7 (i) Contracting to convey the title to or ownership of real
8 property upon the fulfillment of one or more stated conditions where
9 the right to possession of the property is transferred currently.

10 (ii) The creation, transfer, or termination of a joint tenancy
11 interest.

12 (iii) The creation, transfer, or termination of a tenancy-in-common
13 interest.

14 (iv) The vesting of a right of possession or enjoyment of a
15 remainder or reversionary interest that occurs upon the termination of
16 a life estate or other similar precedent property interest.

17 (v) An interest that vests in persons other than the trustor where
18 a revocable trust becomes irrevocable.

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

23 (b) The term "change of ownership" does not include:

24 (i) A transfer between coowners that results in a change in the
25 method of holding title to the real property transferred without
26 changing the proportional interests of the coowners in the real
27 property, such as a partition of a tenancy-in-common.

28 (ii) A transfer for the purpose of merely perfecting title to the
29 real property.

1 (iii) The creation, assignment, termination, or reconveyance of a
2 security interest in real property; or the substitution of a trustee
3 under a security instrument.

4 (iv) A transfer of real property by the trustor, or by the
5 trustor's spouse, or by both, into a trust for so long as the
6 transferor is the sole present beneficiary of the trust, or the trust
7 is revocable; or any transfer of real property by a trustee of such
8 trust back to the trustor.

9 (v) A transfer of real property by an instrument whose terms
10 reserve to the transferor an estate for years or an estate for life.
11 However, the termination of such an estate for years or life estate
12 shall constitute a change of ownership.

13 (vi) A transfer of real property between or among the same parties
14 for the purpose of correcting or reforming a deed to express the true
15 intention of the parties, if the original relationship between the
16 grantor and grantee is not changed.

17 (c) The term "change of ownership" also does not include an
18 interspousal transfer of real property, including, but not limited to:

19 (i) Transfers to a trustee for the beneficial use of a spouse, or
20 the surviving spouse of a deceased transferor, or by a trustee of such
21 trust to the spouse of the trustor;

22 (ii) Transfers that take effect upon the death of a spouse;

23 (iii) Transfers to a spouse or former spouse in connection with a
24 property settlement agreement or decree of dissolution of marriage or
25 legal separation; and

26 (iv) The creation, transfer, or termination, solely between
27 spouses, of any coowner's interest.

28 (2) "Residential property" means a single family dwelling unit,
29 regardless of whether such unit shares a common wall with one or more
30 other units, including the land upon which such dwelling stands. The

1 term also includes a single family dwelling situated upon lands the fee
2 of which is vested in the United States or an instrumentality of the
3 United States including an Indian tribe or in the state of Washington,
4 and notwithstanding the provisions of RCW 84.04.080, 84.04.090 or
5 84.40.250, such a residence shall be deemed real property.

6 The term residential property also includes a mobile home that has
7 substantially lost its identity as a mobile unit by virtue of its being
8 fixed in location upon land owned or leased by the owner of the mobile
9 home and placed upon a foundation (posts or blocks) with fixed pipe,
10 connections with sewer, water, or other utilities; provided that a
11 mobile home located on land leased by the owner of the mobile home
12 shall be subject, for tax billing, payment, and collection purposes,
13 only to the personal property provisions of chapter 84.56 RCW and RCW
14 84.60.040.

15 The term residential property does not include a dwelling unit
16 primarily used in the conduct of a commercial enterprise or a dwelling
17 unit located upon real property that is primarily used in the conduct
18 of a commercial enterprise. Property will be considered primarily used
19 in the conduct of a commercial enterprise if more than one-half of the
20 total square footage of the property is devoted to commercial use.

21 (3) "Remodel" or "remodeling" means an improvement to residential
22 property for which a building permit was issued, or should have been
23 issued, under chapter 19.27, 19.27A, or 19.28 RCW or other law
24 providing for building permits.

25

26 NEW SECTION. **Sec. 3.** (1) Subject to the provisions of
27 sections 4, 5, and 6 of this act, the value of residential property for
28 purposes of property tax assessment shall be the lesser of the
29 following values at the time of revaluation:

1 (a) True and fair market value as established by the county
2 assessor in accordance with applicable law; or

3 (b) The most recent assessed value of the property increased on
4 January 1 each year thereafter by six percent, compounded annually.

5 (2) The limitation contained in subsection (1)(b) of this section
6 shall only apply for the purpose of the valuation for individual
7 property tax assessments upon which individual tax payments are made.

8 (3) All residential property that meets all the qualifications of
9 sections 2 and 4 through 8 of this act shall be listed on the county
10 assessment rolls by the assessor at each of the values described in
11 subsection (1) (a) and (b) of this section.

12
13 NEW SECTION. **Sec. 4.** (1) Upon a change of ownership involving
14 residential property, the property shall be revalued by the assessor
15 with reference to its true and fair market value as of January 1 of the
16 year following the date the change of ownership occurs.

17 (2) When an interest of fifty percent or more in residential
18 property changes ownership, the entire property shall be revalued.
19 Changes of ownership during an assessment year shall be cumulated for
20 the purposes of determining the percentage interests transferred.

21
22 NEW SECTION. **Sec. 5.** (1) The value of all new construction or
23 remodeling of residential property shall be added to the assessment
24 rolls in accordance with RCW 36.21.080 and all new construction or the
25 remodeled portion of the property shall be valued and assessed at true
26 and fair market value. Except that the combined value of the market
27 value of the remodeled portion of residential property added to the
28 most recent assessed value for the property prior to the remodel shall
29 be the new valuation base for applying the limit under section 3 of
30 this act.

1 (2) Notwithstanding subsection (1) of this section, the property
2 tax exemption granted by RCW 84.36.400 shall continue to be effective.

3
4 NEW SECTION. **Sec. 6.** (1) An owner of residential property may
5 apply to the county assessor in the county where the property is
6 located to have his or her real property assessed according to the
7 provisions of sections 2 through 5, 7, and 8 of this act. Application
8 shall be made on forms prepared by the department of revenue and
9 available at the office of the county assessor. The application shall
10 be submitted to the county assessor for determination of qualification
11 under sections 2 through 5, 7, and 8 of this act. A taxpayer who
12 submits an application shall certify that he or she is the owner of a
13 qualifying residence. After the taxpayer submits the initial
14 application, and the assessor determines that the taxpayer qualifies
15 for the assessed value limitations of sections 2 through 5, 7, and 8 of
16 this act, the assessor shall, at the time a notice of change of value
17 is mailed to a taxpayer pursuant to RCW 84.40.045, require the taxpayer
18 to recertify that he or she is an owner of a qualifying residence in
19 order to continue to qualify for the assessed value limitation
20 provisions of sections 2 through 5, 7, and 8 of this act.

21 (2) If, on the basis of the application submitted by the taxpayer,
22 the assessor determines that the taxpayer does not qualify for the
23 assessed value limitation provisions of sections 2 through 5, 7, and 8
24 of this act, the assessor shall so notify the taxpayer in writing. The
25 notice shall inform the taxpayer of the reasons for the failure to
26 qualify and of his or her right to appeal the assessor's determination
27 to the county board of equalization within thirty days of the mailing
28 of the notice to the taxpayer.

1 subsection (2) of this section and the department shall determine the
2 amount to be reimbursed to taxing districts.

3 (4) The reimbursement amount shall be distributed to taxing
4 districts in two payments to be made on or before May 31 and November
5 30 of each year. Fifty-five percent of the reimbursement amount shall
6 be distributed in the first payment, and forty-five percent of the
7 reimbursement amount shall be distributed in the second payment.

8
9 NEW SECTION. **Sec. 8.** (1) In determining the amount of
10 property taxes to be collected by each county for the purposes of the
11 state levy, the department of revenue shall calculate the dollar amount
12 owed by each county based upon the equalized true and fair value, as
13 determined in accordance with RCW 84.48.075 and 84.48.080. The dollar
14 amount owed shall be certified to each county assessor by the
15 department.

16 (2) Each county assessor shall calculate the levy rate necessary to
17 collect the dollar amount certified in accordance with subsection (1)
18 of this section. The calculation shall be based upon the assessed
19 value of all property in the county as such assessed value may be
20 limited in accordance with section 3 of this act. After the proper
21 levy rate is calculated, the collection process shall proceed as is
22 otherwise required by law.

23
24 NEW SECTION. **Sec. 9.** Sections 1 through 8 of this act shall
25 take effect on the effective date of the proposed amendment to the
26 state Constitution authorizing limitations on taxation provided for in
27 this act and shall be effective for taxes payable in 1992 and
28 thereafter, if the proposed amendment to the state Constitution
29 authorizing the limitations on taxation provided for in this act is
30 approved and ratified by the voters at a general election held in

1 November 1991. If the proposed amendment is not so approved and
2 ratified, those sections of this act are void in their entirety.

3

4 NEW SECTION. **Sec. 10.** Sections 2 through 8 of this act are
5 each added to chapter 84.36 RCW.

6

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