
SENATE BILL 5954

State of Washington 53rd Legislature 1993 Regular Session

By Senators Gaspard, Franklin, M. Rasmussen and von Reichbauer

Read first time 03/04/93. Referred to Committee on Ways & Means.

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 this act to provide
6 property tax relief for homeowners whose home values increase at a rate
7 higher than other components of the economy. A rapid increase in home
8 value often has the effect of increasing property taxes without a
9 corresponding increase in the homeowner's ability to pay. This act
10 provides for a limitation on the rate of increase in assessed value of
11 owner-occupied real property so that the effect of rapidly rising
12 property taxes is spread over a period of years.

13 NEW SECTION. **Sec. 2.** Unless the context requires otherwise, the
14 following definitions apply to sections 2 through 9 of this act.

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

1 (a) Except as provided in (c) of this subsection, a change of
2 ownership of a present interest in real property also includes, but is
3 not limited to:

4 (i) Contracting to convey the title to or ownership of real
5 property upon the fulfillment of one or more stated conditions if the
6 right to possession of the property is transferred currently;

7 (ii) The creation, transfer, or termination of a joint tenancy
8 interest;

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

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

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

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

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

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

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

27 (iii) The creation, assignment, termination, or reconveyance of a
28 security interest in real property, or the substitution of a trustee
29 under a security instrument;

30 (iv) A transfer of real property by the trustor, or by the
31 trustor's spouse, or by both, into a trust for so long as the
32 transferor is the sole present beneficiary of the trust, or the trust
33 is revocable, or any transfer of real property by a trustee of such
34 trust back to the trustor;

35 (v) A transfer of real property by an instrument whose terms
36 reserve to the transferor an estate for years or an estate for life.
37 However, the termination of such an estate for years or life estate
38 constitutes a change of ownership; and

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

5 (c) "Change of ownership" also does not include an interspousal
6 transfer of real property, including, but not limited to:

7 (i) Transfers to a trustee for the beneficial use of a spouse, or
8 the surviving spouse of a deceased transferor, or by a trustee of the
9 trust to the spouse of the trustor;

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

11 (iii) Transfers to a spouse or former spouse in connection with a
12 property settlement agreement or decree of dissolution of marriage or
13 legal separation; and

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

16 (2) "Owner-occupied" means residential property occupied as a
17 principal residence in this state by a natural person or persons having
18 a present possessory ownership interest in the property. For this
19 purpose, a principal residence is that residential property located in
20 this state that is occupied by such person or persons the greatest
21 amount of time during the calendar year. Owner-occupied includes
22 residential property that is held in trust, if at least one of the
23 current beneficiaries of the trust occupies the property as a principal
24 residence, and residential real property occupied as a principal
25 residence, the title to which is held by a housing cooperative as that
26 term is defined in subsection (3) of this section. The confinement of
27 a person to a hospital or nursing home does not cause the person to
28 fail to satisfy the occupancy requirement imposed herein so long as the
29 property is not rented during the period of confinement.

30 (3) "Residential property" means a single-family dwelling unit,
31 regardless of whether the unit shares a common wall with one or more
32 other units, including the land upon which the dwelling stands, and
33 that is owned in its entirety either by a natural person or persons, a
34 housing cooperative, or a trust. "Housing cooperative" means an
35 association, corporation, or partnership that holds the title to
36 residential property if the person claiming the benefits of sections 3
37 through 9 of this act can establish that his or her share represents
38 the specific unit or portion of the structure in which he or she
39 resides. The term also includes a single-family dwelling situated upon

1 lands the fee of which is vested in the United States or an
2 instrumentality of the United States including an Indian tribe or in
3 the state of Washington, and, notwithstanding the provisions of RCW
4 84.04.080 or 84.04.090, such a residence shall be deemed real property.

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

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

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

24 NEW SECTION. **Sec. 3.** (1) Subject to sections 4, 5, 6, and 7 of
25 this act, the value of owner-occupied residential property for purposes
26 of property tax assessment is the lesser of the following values at the
27 time of revaluation:

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

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

32 (2) The limitation contained in subsection (1)(b) of this section
33 only applies for the purpose of the valuation for individual property
34 tax assessments upon which individual tax payments are made.

35 (3) All owner-occupied residential property that meets all the
36 qualifications of sections 2 and 4 through 9 of this act must be listed
37 on the county assessment rolls by the assessor at each of the values
38 described in subsection (1) (a) and (b) of this section.

1 NEW SECTION. **Sec. 4.** (1) Owner-occupied residential property
2 having an assessed value of two hundred thousand dollars or more on the
3 effective date of this act, shall be valued and assessed at true and
4 fair market value, but the two hundred thousand dollar amount shall
5 increase on January 1 each year thereafter at the rate of six percent
6 compounded annually. If the property subsequently has an assessed
7 value less than the limit established in this subsection, and if the
8 property otherwise meets all the qualifications of sections 2, 3, and
9 5 through 9 of this act, the property shall be valued and assessed as
10 provided in section 3 of this act.

11 (2) All owner-occupied residential property that has an assessed
12 value less than the limit established in subsection (1) of this
13 section, and that otherwise meets all the qualifications of sections 2,
14 3, and 5 through 9 of this act, shall be valued and assessed as
15 provided in section 3 of this act, unless and until the property is no
16 longer owner-occupied residential property, or a change of ownership
17 has occurred, or the property is remodeled so that the market value of
18 the remodeling when added to the most recent assessed value exceeds the
19 limit established in subsection (1) of this section.

20 NEW SECTION. **Sec. 5.** (1) Upon a change of ownership involving
21 owner-occupied residential property, the property shall be revalued by
22 the assessor with reference to its true and fair market value as of
23 January 1 of the year following the date the change of ownership
24 occurs.

25 (2) When an interest of fifty percent or more in owner-occupied
26 residential property changes ownership, the entire property shall be
27 revalued. Changes of ownership during an assessment year shall be
28 cumulated for the purposes of determining the percentage interests
29 transferred.

30 NEW SECTION. **Sec. 6.** (1) The value of all new construction or
31 remodeling of owner-occupied residential property shall be added to the
32 assessment rolls in accordance with RCW 36.21.080 and all new
33 construction or the remodeled portion of the property shall be valued
34 and assessed at true and fair market value, except that:

35 (a) The combined value of the market value of the remodeled portion
36 of owner-occupied residential property added to the most recent

1 assessed value for the property prior to the remodel shall be the new
2 valuation base for applying the limit under section 3 of this act; and

3 (b) Property that otherwise qualifies for the application of the
4 limit under section 3 of this act and is less than the limit
5 established in section 4 of this act is exempt from this subsection.

6 (2) Notwithstanding subsection (1) of this section, the property
7 tax exemption granted by RCW 84.36.400 continues to be effective.
8 However, if, upon the expiration of the exemption period provided in
9 RCW 84.36.400, the combined value of the remodeled portion of the
10 property and the assessed value for the property exceeds the limit
11 established in section 4 of this act, the property shall be valued and
12 assessed at true and fair market value at that time. If the combined
13 value at the time of expiration of the exemption period provided in RCW
14 84.36.400 does not exceed the limit established in section 4 of this
15 act, the property shall be valued and assessed in accordance with
16 subsection (1) of this section.

17 NEW SECTION. **Sec. 7.** (1) An owner-occupant of residential
18 property may apply to the county assessor in the county where the
19 property is located to have his or her real property assessed according
20 to the provisions of sections 2 through 6, 8, and 9 of this act.
21 Application must be made on forms prepared by the department of revenue
22 and available at the office of the county assessor. The application
23 must be submitted to the county assessor for determination of
24 qualification under sections 2 through 6, 8, and 9 of this act. A
25 taxpayer who submits an application shall certify that he or she is the
26 owner and occupant of a qualifying residence. After the taxpayer
27 submits the initial application, and the assessor determines that the
28 taxpayer qualifies for the assessed value limitations of sections 2
29 through 6, 8, and 9 of this act, the assessor shall, at the time a
30 notice of change of value is mailed to a taxpayer pursuant to RCW
31 84.40.045, require the taxpayer to recertify that he or she is an owner
32 and occupant of a qualifying residence in order to continue to qualify
33 for the assessed value limitation provisions of sections 2 through 6,
34 8, and 9 of this act.

35 (2) If, on the basis of the application submitted by the taxpayer,
36 the assessor determines that the taxpayer does not qualify for the
37 assessed value limitation provisions of sections 2 through 6, 8, and 9
38 of this act, the assessor shall so notify the taxpayer in writing. The

1 notice must inform the taxpayer of the reasons for the failure to
2 qualify and of his or her right to appeal the assessor's determination
3 to the county board of equalization within thirty days of the mailing
4 of the notice to the taxpayer.

5 NEW SECTION. **Sec. 8.** (1) A loss of revenue to a local taxing
6 district that results from the implementation of sections 2 through 7
7 and 9 of this act must be reimbursed to the taxing district from the
8 state general fund.

9 (2) The method used to calculate the amount to be reimbursed to
10 taxing districts is as follows for each county:

11 (a) Determine the assessed value for all taxable property,
12 including newly constructed and remodeled real property, without
13 applying the six percent compounded value limit provided for in section
14 3 of this act;

15 (b) Determine the assessed value for all taxable property,
16 including newly constructed and remodeled real property, applying the
17 six percent compounded value limit provided for in section 3 of this
18 act;

19 (c) Calculate the property tax levy rates and levies, in accordance
20 with all regular property tax levy limitations provided by law, using
21 the assessed value determined in accordance with (a) of this
22 subsection;

23 (d) Recalculate the property tax levy rates and levies, in
24 accordance with all regular property tax levy limitations provided by
25 law, using the assessed value determined in accordance with (b) of this
26 subsection; and

27 (e) The difference between the levy amounts determined in
28 accordance with (c) and (d) of this subsection is the amount to be
29 reimbursed to taxing districts, provided that the reimbursement amount
30 for each taxing district shall not, in any event, exceed the amount
31 which could have been levied if the six percent compounded value limit
32 provided for in section 3 of this act had not been applied.

33 (3) The county assessor of each county shall provide the department
34 of revenue with all information necessary to make the calculations in
35 subsection (2) of this section and the department shall determine the
36 amount to be reimbursed to taxing districts.

37 (4) The reimbursement amount must be distributed to taxing
38 districts in two payments to be made on or before May 31 and November

1 30 of each year. Fifty-five percent of the reimbursement amount must
2 be distributed in the first payment, and forty-five percent of the
3 reimbursement amount must be distributed in the second payment.

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

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

18 NEW SECTION. **Sec. 10.** Sections 1 through 9 of this act shall take
19 effect for taxes payable in 1994 and thereafter, if the proposed
20 amendment to the state Constitution authorizing the limitations on
21 taxation provided for in this act is approved and ratified by the
22 voters at a general election held in November 1993. If the proposed
23 amendment is not so approved and ratified, those sections of this act
24 are void in their entirety.

25 NEW SECTION. **Sec. 11.** Sections 2 through 9 of this act are each
26 added to chapter 84.36 RCW.

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