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HOUSE BILL 2601

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State of Washington                      54th Legislature                      1996 Regular Session

By Representatives Hickel, Mitchell, Boldt and Delvin

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

1            AN ACT Relating to assessments of taxes and fees on property;  
2 amending RCW 84.40.030; adding new sections to chapter 84.09 RCW;  
3 adding a new section to chapter 82.02 RCW; and creating a new section.

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

5            NEW SECTION.    **Sec. 1.** The legislature finds and declares:

6            (1) When real property taxes are completely subject to the changes  
7 of the real estate market, property owners are left with an  
8 unpredictable tax burden that over time causes disruption in the lives  
9 and financial stability of Washington property owners;

10           (2) The current system of assessing real property for taxation  
11 purposes has caused many Washington citizens to be taxed out of their  
12 homes because the market value of their home has increased;

13           (3) The real property tax system needs the changes in this act to  
14 ensure adequate and stable level of funds to government entities  
15 relying on property taxes and to give property owners the ability to  
16 know their future tax burdens with a greater degree of predictability;

17           (4) The method of determining taxable values in this act provides  
18 stability and predictability to the owner of every parcel of property  
19 in the state;

1 (5) In addition to adding stability and predictability to property  
2 tax revenues and liabilities, the method of determining taxable values  
3 in this act operates in a simple, systematic, and nondiscriminatory  
4 manner; and

5 (6) The limitation in this act on assessed valuation is consistent  
6 with the existing one percent limitation on true and fair value in the  
7 Constitution. This act guarantees that the constitutional limitation  
8 will not be breached.

9 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.09 RCW  
10 to read as follows:

11 (1) For taxes to be collected in 1997, all real property shall be  
12 assessed at 1995 fair market value under RCW 84.40.030.

13 (2) For purposes of chapters 84.12, 84.33, 84.34, 84.40, 84.41,  
14 84.48, and 84.52 RCW for taxes to be collected after 1997, the "true  
15 and fair value" of real property for taxation purposes means the  
16 assessor's valuation of real property as shown on the 1997 tax bill or,  
17 thereafter, the appraised value of real property determined under RCW  
18 84.40.030 when purchased, newly constructed, or a change in ownership  
19 has occurred after the 1997 assessment.

20 (3) The true and fair value may reflect from year to year an  
21 inflationary rate not to exceed two percent for any given year or a  
22 reduction as shown in the consumer price index or comparable data for  
23 the area or a reduction to reflect substantial damage, destruction, or  
24 other factors causing a decline in value.

25 (4) For purposes of subsection (2) of this section, "newly  
26 constructed" does not include the construction, installation, or  
27 modification of any portion of a building required by any unit of  
28 government for any purpose.

29 (5) For purposes of this section, "change in ownership" does not  
30 include the acquisition of real property as a replacement for  
31 comparable property if the person acquiring the real property has been  
32 displaced from the property replaced by eminent domain proceedings, by  
33 acquisition by a public entity, or governmental action that has  
34 resulted in a judgment of inverse condemnation.

35 (6) The base year value of property that is substantially damaged  
36 or destroyed by a disaster, as declared by the governor, may be  
37 transferred to comparable property that is acquired or newly

1 constructed as a replacement for the substantially damaged or destroyed  
2 property.

3 (7) For purposes of this section "purchased" includes any  
4 transaction that constitutes a "sale" under chapter 82.45 RCW and  
5 includes the creation, termination, transfer, or assignment of a  
6 leasehold interest in real estate for a period of thirty-five years or  
7 longer.

8 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.09 RCW  
9 to read as follows:

10 For purposes of section 2 of this act, "purchased" and "change in  
11 ownership" do not include the transfer of real property between spouses  
12 including, but not limited to, all of the following:

13 (1) Transfers to a trustee for the beneficial use of a spouse, or  
14 the surviving spouse of a deceased transferor, or by a trustee of the  
15 trust to the spouse of the trustor;

16 (2) Transfers to a spouse that take effect upon the death of a  
17 spouse;

18 (3) Transfers to a spouse or former spouse in connection with a  
19 property settlement agreement or decree of dissolution of a marriage or  
20 legal separation;

21 (4) The creation, transfer, or termination, solely between spouses,  
22 of any coowner's interest;

23 (5) The distribution of a legal entity's property to a spouse or  
24 former spouse in exchange for the interest of the spouse in the legal  
25 entity in connection with a property settlement agreement or a decree  
26 of dissolution of a marriage or legal separation.

27 **Sec. 4.** RCW 84.40.030 and 1994 c 124 s 20 are each amended to read  
28 as follows:

29 All property shall be valued at one hundred percent of its true and  
30 fair value in money and assessed on the same basis unless specifically  
31 provided otherwise by law.

32 The following procedures shall be used to determine the appraised  
33 value of real property after the property is purchased, newly  
34 constructed, or a change of ownership occurs as provided in section  
35 2(2) of this act:

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

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

7 (1) Any sales of the property being appraised or similar properties  
8 with respect to sales made within the past five years. The appraisal  
9 shall be consistent with the comprehensive land use plan, development  
10 regulations under chapter 36.70A RCW, zoning, and any other  
11 governmental policies or practices in effect at the time of appraisal  
12 that affect the use of property, as well as physical and environmental  
13 influences. The appraisal shall also take into account: (a) In the  
14 use of sales by real estate contract as similar sales, the extent, if  
15 any, to which the stated selling price has been increased by reason of  
16 the down payment, interest rate, or other financing terms; and (b) the  
17 extent to which the sale of a similar property actually represents the  
18 general effective market demand for property of such type, in the  
19 geographical area in which such property is located. Sales involving  
20 deed releases or similar seller-developer financing arrangements shall  
21 not be used as sales of similar property.

22 (2) In addition to sales as defined in subsection (1),  
23 consideration may be given to cost, cost less depreciation,  
24 reconstruction cost less depreciation, or capitalization of income that  
25 would be derived from prudent use of the property. In the case of  
26 property of a complex nature, or being used under terms of a franchise  
27 from a public agency, or operating as a public utility, or property not  
28 having a record of sale within five years and not having a significant  
29 number of sales of similar property in the general area, the provisions  
30 of this subsection (2) shall be the dominant factors in valuation.  
31 When provisions of this subsection (2) are relied upon for establishing  
32 values the property owner shall be advised upon request of the factors  
33 used in arriving at such value.

34 (3) In valuing any tract or parcel of real property, the value of  
35 the land, exclusive of structures thereon shall be determined; also the  
36 value of structures thereon, but the valuation shall not exceed the  
37 value of the total property as it exists. In valuing agricultural  
38 land, growing crops shall be excluded.

1        NEW SECTION.   **Sec. 5.**   A new section is added to chapter 82.02 RCW  
2 to read as follows:  
3        Government entities may not impose impact fees as a condition or  
4 consequence of property development except as provided in this chapter.

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