
SENATE BILL 5525

State of Washington

64th Legislature

2015 Regular Session

By Senators Sheldon and Ericksen

Read first time 01/23/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to property taxes; adding new sections to chapter
2 84.36 RCW; adding a new section to chapter 84.40 RCW; creating new
3 sections; and providing a contingent effective date.

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

5 NEW SECTION. **Sec. 1.** The intent of this act is to provide
6 property tax relief by setting base years for property tax valuation
7 computation and limiting property tax valuation increases to one
8 percent per year over the base year until ownership of the property
9 changes on owner-occupied property claimed as a principal place of
10 residence.

11 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36
12 RCW to read as follows:

13 The definitions in this section apply throughout this section and
14 sections 3 and 4 of this act unless the context clearly requires
15 otherwise.

16 (1) "Base value" means the following, as appropriate:

17 (a) The assessed value for 2014 determined under RCW 84.40.030 of
18 property acquired in or before 2014;

19 (b) The assessed value determined under RCW 84.40.030 of the
20 property for the year in which the property is acquired; or

1 (c) The assessed true and fair value as determined under RCW
2 84.40.030 for all property that has changed or transferred ownership
3 since the last assessment.

4 (2)(a) "Adjusted value" means the lesser of the following:

5 (i) The assessed true and fair value of property, as determined
6 under RCW 84.40.030; or

7 (ii) The base value of the property increased on January 1st of
8 each year thereafter by a maximum of one percent, compounded
9 annually, plus the portion of the true and fair value attributable to
10 any construction or alteration not included in the most recent
11 assessment, other than improvements exempt under RCW 84.36.400 for
12 the assessment year.

13 (b) This subsection does not apply to special levies or levies
14 approved under RCW 84.55.050.

15 (3)(a) "Change of ownership" and "transfer of ownership" are
16 equivalent, and mean a transfer of a present interest in real
17 property, including a transfer of the beneficial use of real
18 property.

19 (b) "Change of ownership" and "transfer of ownership" include,
20 except as provided in (c) of this subsection:

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

24 (ii) The creation, transfer, or termination of a joint tenancy
25 interest;

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

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

31 (v) An interest that vests in persons other than the trustor if a
32 revocable trust becomes irrevocable; and

33 (vi) The transfer of stock of a cooperative housing corporation,
34 vested with legal title to real property, that conveys to the
35 transferee the exclusive right to occupancy and possession of the
36 property or a portion of the property.

37 (c) "Change of ownership" does not include:

38 (i) A transfer between co-owners that results in a change in the
39 method of holding title to the real property transferred without

1 changing the proportional interests of the co-owners in the real
2 property, such as a partition of a tenancy in common;

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

5 (iii) The creation, assignment, termination, or reconveyance of a
6 security interest in real property, or the substitution of a trustee
7 under a security instrument;

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

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

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

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

23 (A) Transfers to a trustee for the beneficial use of a spouse, or
24 the surviving spouse of a deceased transferor, or by a trustee of the
25 trust to the spouse of the trustor;

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

27 (C) Transfers to a spouse or former spouse in connection with a
28 property settlement agreement or decree of dissolution of marriage or
29 legal separation; and

30 (D) The creation, transfer, or termination, solely between
31 spouses, of any co-owner's interest.

32 (4) "Owner-occupied principal place of residence" means a single-
33 family dwelling unit whether such unit be separate or part of a
34 multiunit dwelling, including the land on which such dwelling stands.
35 The term also includes a single-family dwelling situated upon lands
36 the fee of which is vested in:

37 (a) The United States or any instrumentality thereof, including
38 an Indian tribe; or

39 (b) The state of Washington; and

1 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
2 residence is deemed real property. The term "residence" also includes
3 a mobile home which has substantially lost its identity as a mobile
4 unit by virtue of its being fixed in location upon land owned or
5 leased by the owner of the mobile home and placed on a foundation
6 (posts or blocks) with fixed pipe, connections with sewer, water, or
7 other utilities.

8 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.36
9 RCW to read as follows:

10 (1) To be eligible for the adjusted valuation:

11 (a) A residence must be occupied by the person claiming the
12 adjusted valuation under this section as a principal place of
13 residence in the year in which taxes are due;

14 (b) The claimant must notify the assessor in writing of
15 eligibility for the adjusted valuation under this section; and

16 (c) The person claiming exemption must have owned, at the time of
17 filing, the property in fee, as a life estate, or by contract a share
18 in a cooperative housing association, corporation, or partnership. A
19 share in the ownership of the property in fee, as a life estate, or
20 by contract in a cooperative housing association, corporation, or
21 partnership representing a marital community or owned by cotenants is
22 deemed to be owned by each spouse or cotenant, and any lease for life
23 is deemed a life estate.

24 (2) Confinement of the claimant to a hospital or nursing home
25 does not disqualify the claim of exemption if:

26 (a) The residence is temporarily unoccupied;

27 (b) The residence is occupied by a person who is either or both a
28 spouse or a person financially dependent on the claimant for support;
29 or

30 (c) The residence is rented for the specific purpose of paying
31 nursing home or hospital costs.

32 (3) A person who is displaced from a principal residence by
33 reason of a natural disaster may transfer a claimed exemption status
34 to a similar replacement residence.

35 (4) A claimed exemption for adjusted valuation continues annually
36 until change of ownership of the affected property, or until
37 rescinded by the claimant.

38 (5) A claimant may not receive more than one adjusted valuation
39 at any time.

1 NEW SECTION. **Sec. 4.** A new section is added to chapter 84.40
2 RCW to read as follows:

3 (1) All property tax assessments on owner-occupied residential
4 property shall be computed using the adjusted value of a property.

5 (2) The definitions in section 2 of this act apply to this
6 section.

7 NEW SECTION. **Sec. 5.** This act takes effect if the proposed
8 amendment to Article VII of the state Constitution (Senate Joint
9 Resolution No. . . . (S-0815/15)), providing property tax relief by
10 setting base years for property tax valuation computation, limiting
11 property tax valuation increases to one percent per year over the
12 base year until ownership of the property changes, and limiting the
13 tax assessed on owner-occupied property claimed as a principal place
14 of residence, is validly submitted to and is approved and ratified by
15 the voters at the next general election. If the proposed amendment is
16 not approved and ratified, this act is void in its entirety.

17 NEW SECTION. **Sec. 6.** This act applies to taxes payable in 2016
18 and thereafter.

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