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HOUSE BILL 2162

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State of Washington

53rd Legislature

1994 Regular Session

By Representatives Sheldon, Wood, Heavey, Van Luven, Campbell, Brough, Kremen, Johanson, Linville and Hansen

Prefiled 1/5/94. Read first time 01/10/94. Referred to Committee on Revenue.

1 AN ACT Relating to valuation for property tax purposes; adding new  
2 sections to chapter 84.40 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.** The intent of this act is to provide  
6 property tax relief by limiting property tax valuation increases to six  
7 percent per year until the ownership of the property changes.

8 NEW SECTION. **Sec. 2.** (1) As used in section 3 of this act,  
9 "change of ownership" means a transfer of a present interest in real  
10 property, including a transfer of the beneficial use of real property.

11 (2) "Change of ownership" includes, except as provided in  
12 subsections (3) and (4) of this section, the following:

13 (a) Contracting to convey the title to or ownership of real  
14 property upon the fulfillment of one or more stated conditions where  
15 the right to possession of the property is transferred currently.

16 (b) The creation, transfer, or termination of a joint tenancy  
17 interest.

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

3 (d) 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 (e) An interest that vests in persons other than the trustor where  
7 a revocable trust becomes irrevocable.

8 (f) 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 (3) "Change of ownership" does not include:

13 (a) A transfer between co-owners 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 co-owners in the real  
16 property, such as a partition of a tenancy-in-common.

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

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

27 (e) 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 (f) 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.

35 (4) "Change of ownership" also does not include an interspousal  
36 transfer of real property, including, but not 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 co-owner's interest.

7 NEW SECTION. **Sec. 3.** (1) The assessed value of real property for  
8 which there has been a change of ownership since the previous  
9 assessment shall be equal to true and fair value as determined under  
10 RCW 84.40.030.

11 (2) The assessed value of real property that is not assessed under  
12 subsection (1) of this section, shall be equal to the lesser of the  
13 following values at the time of valuation:

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

16 (b) The most recent assessed value of the property increased on  
17 January 1 each year thereafter by six percent, compounded annually,  
18 plus the portion of the true and fair market value attributable to any  
19 construction or alteration not included in the previous assessment,  
20 other than improvements exempt under RCW 84.36.400 for the assessment  
21 year.

22 NEW SECTION. **Sec. 4.** Sections 2 and 3 of this act are each added  
23 to chapter 84.40 RCW.

24 NEW SECTION. **Sec. 5.** This act shall take effect January 1, 1995,  
25 if the proposed amendment to the state Constitution authorizing  
26 limitation of taxation in the manner provided by section 3 of this act  
27 is validly submitted to and is approved and ratified by the voters at  
28 a general election held in November 1994. If the proposed amendment is  
29 not so approved and ratified, this act is void in its entirety.

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