
HOUSE BILL 2672

State of Washington

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By Representatives G. Fisher, Kessler, Holm, Anderson, Finkbeiner, Dunshee, Romero, Patterson, Scott, Karahalios, Brown, Quall, Flemming, Wang, Leonard, Linville, Jones, Valle, Campbell, Chappell, Thibaudeau, Lemmon, Basich, Pruitt, Ogden, Sheldon, Caver, Peery, G. Cole, H. Myers, Kremen and Roland

Read first time 01/19/94. Referred to Committee on Revenue.

1 AN ACT Relating to property tax relief; amending RCW 84.36.383,
2 84.36.385, 84.36.387, 84.36.389, 84.52.043, 84.52.065, and 84.40.045;
3 adding new sections to chapter 84.36 RCW; adding a new section to
4 chapter 84.41 RCW; adding a new section to chapter 84.56 RCW; creating
5 new sections; and providing a contingent effective date.

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

7 NEW SECTION. **Sec. 1.** INTENT. This act provides a homestead
8 exemption from the state property tax levy for each owner-occupied
9 residence, based on the median value of homes in the county. This act
10 also provides property tax exemptions for very low-income rental
11 properties. These exemptions are intended to make the property tax
12 system less regressive by reducing property tax burdens for most low
13 and middle-income households, and reverse the shift of taxes from
14 business to homeowner property that has occurred in recent years. The
15 state levy rate is increased slightly to facilitate this reversal in
16 tax burden shift.

17 This act also provides a procedure to lessen the impact of large
18 property tax valuation increases that occur during times of rapid
19 growth in market values. Under this act, a county may opt to spread

1 valuation increases over a four-year period. This option is intended
2 to prevent a large valuation increase from obscuring the effect of
3 relief provided by the homestead and very low-income exemptions.

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

6 HOMESTEAD EXEMPTION. (1) As used in this section, "homestead
7 exemption" means an exemption under this section.

8 (2) Subject to the conditions in subsection (3) of this section,
9 and RCW 84.36.383 through 84.36.389, a portion of a residence is exempt
10 from property taxes imposed for state purposes. The exemption is equal
11 to thirty-five percent of the median assessed value of all property for
12 which a homestead exemption has been granted in the county in which the
13 residence is located, as determined each assessment year by the county
14 assessor.

15 (3) The following conditions apply to homestead exemptions:

16 (a) The residence must be occupied by the person claiming the
17 exemption as a principal place of residence as of January 1st of the
18 year in which taxes are due. A person who sells, transfers, or is
19 displaced from his or her residence may transfer his or her exemption
20 status to a replacement residence, but no claimant shall receive an
21 exemption on more than one residence in any year. Confinement of the
22 person to a hospital or nursing home does not disqualify the claim of
23 exemption if:

24 (i) The residence is temporarily unoccupied;

25 (ii) The residence is occupied by a spouse and/or a person
26 financially dependent on the claimant for support; or

27 (iii) The residence is rented for the purpose of paying nursing
28 home or hospital costs.

29 (b) The person claiming the exemption must have owned, at the time
30 of filing, in fee, as a life estate, or by contract purchase, the
31 residence on which the property taxes have been imposed or if the
32 person claiming the exemption lives in a cooperative housing
33 association, corporation, or partnership, such person must own a share
34 therein representing the unit or portion of the structure in which he
35 or she resides. For purposes of this subsection, a residence owned by
36 a marital community or owned by cotenants shall be deemed to be owned
37 by each spouse or cotenant, and any lease for life shall be deemed a
38 life estate.

1 **Sec. 3.** RCW 84.36.383 and 1991 c 213 s 4 are each amended to read
2 as follows:

3 HOMESTEAD EXEMPTION--DEFINITIONS. As used in RCW 84.36.381 through
4 84.36.389 and section 2 of this act, except where the context clearly
5 indicates a different meaning:

6 (1) The term "residence" shall mean a single family dwelling unit
7 whether such unit be separate or part of a multiunit dwelling,
8 including the land on which such dwelling stands not to exceed one
9 acre. The term shall also include a share ownership in a cooperative
10 housing association, corporation, or partnership if the person claiming
11 exemption can establish that his or her share represents the specific
12 unit or portion of such structure in which he or she resides. The term
13 shall also include a single family dwelling situated upon lands the fee
14 of which is vested in the United States or any instrumentality thereof
15 including an Indian tribe or in the state of Washington, and
16 notwithstanding the provisions of RCW 84.04.080(~~(7)~~) or 84.04.090 (~~(or~~
17 ~~84.40.250)~~), such a residence shall be deemed real property.

18 (2) The term "real property" shall also include a mobile home which
19 has substantially lost its identity as a mobile unit by virtue of its
20 being fixed in location upon land owned or leased by the owner of the
21 mobile home and placed on a foundation (posts or blocks) with fixed
22 pipe, connections with sewer, water, or other utilities: PROVIDED,
23 That a mobile home located on land leased by the owner of the mobile
24 home shall be subject, for tax billing, payment, and collection
25 purposes, only to the personal property provisions of chapter 84.56 RCW
26 and RCW 84.60.040.

27 (3) The term "preceding calendar year" shall mean the calendar year
28 preceding the year in which the claim for exemption is to be made.

29 (4) "Department" shall mean the state department of revenue.

30 (5) "Combined disposable income" means the disposable income of the
31 person claiming the exemption, plus the disposable income of his or her
32 spouse, and the disposable income of each cotenant occupying the
33 residence for the preceding calendar year, less amounts paid by the
34 person claiming the exemption or his or her spouse during the previous
35 year for the treatment or care of either person received in the home or
36 in a nursing home.

37 (6) "Disposable income" means adjusted gross income as defined in
38 the federal internal revenue code, as amended prior to January 1, 1989,
39 or such subsequent date as the director may provide by rule consistent

1 with the purpose of this section, plus all of the following items to
2 the extent they are not included in or have been deducted from adjusted
3 gross income:

4 (a) Capital gains, other than nonrecognized gain on the sale of a
5 principal residence under section 1034 of the federal internal revenue
6 code, or gain excluded from income under section 121 of the federal
7 internal revenue code to the extent it is reinvested in a new principal
8 residence;

9 (b) Amounts deducted for loss;

10 (c) Amounts deducted for depreciation;

11 (d) Pension and annuity receipts;

12 (e) Military pay and benefits other than attendant-care and
13 medical-aid payments;

14 (f) Veterans benefits other than attendant-care and medical-aid
15 payments;

16 (g) Federal social security act and railroad retirement benefits;

17 (h) Dividend receipts; and

18 (i) Interest received on state and municipal bonds.

19 (7) "Cotenant" means a person who resides with the person claiming
20 the exemption and who has an ownership interest in the residence.

21 **Sec. 4.** RCW 84.36.385 and 1992 c 206 s 13 are each amended to read
22 as follows:

23 HOMESTEAD EXEMPTION--TIME OF APPLICATION. (1) A claim for
24 exemption under RCW 84.36.381 (~~as now or hereafter amended~~) or
25 section 2 of this act, shall be made and filed at any time during the
26 year for exemption from taxes payable the following year and thereafter
27 and solely upon forms as prescribed (~~and furnished~~) by the department
28 of revenue. However, an exemption from tax under RCW 84.36.381 shall
29 continue for no more than four years unless a renewal application is
30 filed as provided in subsection (3) of this section. The county
31 assessor may also require, by written notice, a renewal application
32 following an amendment of the income requirements set forth in RCW
33 84.36.381. Renewal applications shall be on forms prescribed and
34 furnished by the department of revenue. An exemption under section 2
35 of this act shall continue each year as long as the residence is
36 eligible for exemption.

37 (2) A person granted an exemption under RCW 84.36.381 or section 2
38 of this act shall inform the county assessor of any change in status

1 affecting ((the person's)) entitlement to the exemption on forms
2 prescribed and furnished by the department of revenue.

3 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
4 thereafter, shall file with the county assessor a renewal application
5 not later than December 31 of the year the assessor notifies such
6 person of the requirement to file the renewal application.

7 (4) Beginning in 1992 and in each of the three succeeding years,
8 the county assessor shall notify approximately one-fourth of those
9 persons exempt from taxes under RCW 84.36.381 in the current year who
10 have not filed a renewal application within the previous four years, of
11 the requirement to file a renewal application.

12 (5) If the assessor finds that the applicant does not meet the
13 qualifications as set forth in RCW 84.36.381(~~(, as now or hereafter~~
14 ~~amended))~~ or section 2 of this act, the claim or exemption shall be
15 denied but such denial shall be subject to appeal under the provisions
16 of RCW 84.48.010(5). If the applicant had received exemption in prior
17 years based on erroneous information, the taxes shall be collected
18 subject to penalties as provided in RCW 84.40.130 for a period of not
19 to exceed three years.

20 (6) The department and each local assessor is hereby directed to
21 publicize the qualifications and manner of making claims under RCW
22 84.36.381 through 84.36.389 and section 2 of this act, through
23 communications media, including such paid advertisements or notices as
24 it deems appropriate. Notice of the qualifications, method of making
25 applications, the penalties for not reporting a change in status, and
26 availability of further information shall be included on or with
27 property tax statements and revaluation notices for all residential
28 property including mobile homes, except rental properties.

29 **Sec. 5.** RCW 84.36.387 and 1992 c 206 s 14 are each amended to read
30 as follows:

31 HOMESTEAD EXEMPTION--APPLICATION REQUIREMENTS. (1) All claims for
32 exemption under RCW 84.36.381 or section 2 of this act shall be made
33 and signed by the person entitled to the exemption, by his or her
34 attorney in fact or in the event the residence of such person is under
35 mortgage or purchase contract requiring accumulation of reserves out of
36 which the holder of the mortgage or contract is required to pay real
37 estate taxes, by such holder or by the owner, either before two
38 witnesses or the county assessor or his or her deputy in the county

1 where the real property is located: PROVIDED, That if a claim for
2 exemption is made by a person living in a cooperative housing
3 association, corporation, or partnership, such claim shall be made and
4 signed by the person entitled to the exemption and by the authorized
5 agent of such cooperative.

6 (2) If the taxpayer is unable to submit his or her own claim, the
7 claim shall be submitted by a duly authorized agent or by a guardian or
8 other person charged with the care of the person or property of such
9 taxpayer.

10 (3) All claims for exemption and renewal applications under RCW
11 84.36.381 shall be accompanied by such documented verification of
12 income as shall be prescribed by rule adopted by the department of
13 revenue.

14 (4) Any person signing a false claim with the intent to defraud or
15 evade the payment of any tax shall be guilty of the offense of perjury.

16 (5) The tax liability of a cooperative housing association,
17 corporation, or partnership shall be reduced by the amount of tax
18 exemption to which a claimant residing therein is entitled and such
19 cooperative shall reduce any amount owed by the claimant to the
20 cooperative by such exact amount of tax exemption or, if no amount be
21 owed, the cooperative shall make payment to the claimant of such exact
22 amount of exemption.

23 (6) A remainderman or other person who would have otherwise paid
24 the tax on real property that is the subject of an exemption granted
25 under RCW 84.36.381 or section 2 of this act for an estate for life
26 shall reduce the amount which would have been payable by the life
27 tenant to the remainderman or other person to the extent of the
28 exemption. If no amount is owed or separately stated as an obligation
29 between these persons, the remainderman or other person shall make
30 payment to the life tenant in the exact amount of the exemption.

31 **Sec. 6.** RCW 84.36.389 and 1979 ex.s. c 214 s 4 are each amended to
32 read as follows:

33 HOMESTEAD EXEMPTION--ADMINISTRATION. (1) The director of the
34 department of revenue shall adopt such rules (~~and regulations~~) and
35 prescribe such forms as may be necessary and appropriate for
36 implementation and administration of this chapter subject to chapter
37 34.05 RCW, the administrative procedure act.

1 (2) The department may conduct such audits of the administration of
2 RCW 84.36.381 through 84.36.389 and section 2 of this act and the
3 claims for exemption filed thereunder as it considers necessary. The
4 powers of the department under chapter 84.08 RCW apply to these audits.

5 (3) Any information or facts concerning confidential income data
6 obtained by the assessor or the department, or their agents or
7 employees, under subsection (2) of this section shall be used only to
8 administer RCW 84.36.381 through 84.36.389. Notwithstanding any
9 provision of law to the contrary, absent written consent by the person
10 about whom the information or facts have been obtained, the
11 confidential income data shall not be disclosed by the assessor or the
12 assessor's agents or employees to anyone other than the department or
13 the department's agents or employees nor by the department or the
14 department's agents or employees to anyone other than the assessor or
15 the assessor's agents or employees except in a judicial proceeding
16 pertaining to the taxpayer's entitlement to the tax exemption under RCW
17 84.36.381 through 84.36.389. Any violation of this subsection is a
18 misdemeanor.

19 **Sec. 7.** RCW 84.52.043 and 1993 c 337 s 3 are each amended to read
20 as follows:

21 STATE LEVY MAXIMUM. Within and subject to the limitations imposed
22 by RCW 84.52.050 as amended, the regular ad valorem tax levies upon
23 real and personal property by the taxing districts hereafter named
24 shall be as follows:

25 (1) Levies of the senior taxing districts shall be as follows: (a)
26 The levy by the state shall not exceed three dollars and ((sixty))
27 seventy cents per thousand dollars of assessed value adjusted to the
28 state equalized value in accordance with the indicated ratio fixed by
29 the state department of revenue to be used exclusively for the support
30 of the common schools; (b) the levy by any county shall not exceed one
31 dollar and eighty cents per thousand dollars of assessed value; (c) the
32 levy by any road district shall not exceed two dollars and twenty-five
33 cents per thousand dollars of assessed value; and (d) the levy by any
34 city or town shall not exceed three dollars and thirty-seven and one-
35 half cents per thousand dollars of assessed value. However any county
36 is hereby authorized to increase its levy from one dollar and eighty
37 cents to a rate not to exceed two dollars and forty-seven and one-half
38 cents per thousand dollars of assessed value for general county

1 purposes if the total levies for both the county and any road district
2 within the county do not exceed four dollars and five cents per
3 thousand dollars of assessed value, and no other taxing district has
4 its levy reduced as a result of the increased county levy.

5 (2) The aggregate levies of junior taxing districts and senior
6 taxing districts, other than the state, shall not exceed five dollars
7 and ninety cents per thousand dollars of assessed valuation. The term
8 "junior taxing districts" includes all taxing districts other than the
9 state, counties, road districts, cities, towns, port districts, and
10 public utility districts. The limitations provided in this subsection
11 shall not apply to: (a) Levies at the rates provided by existing law
12 by or for any port or public utility district; (b) excess property tax
13 levies authorized in Article VII, section 2 of the state Constitution;
14 (c) levies for acquiring conservation futures as authorized under RCW
15 84.34.230; (d) levies for emergency medical care or emergency medical
16 services imposed under RCW 84.52.069; and (e) levies to finance
17 affordable housing for very low-income housing imposed under RCW
18 84.52.105.

19 **Sec. 8.** RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to
20 read as follows:

21 STATE LEVY. Subject to the limitations in RCW 84.55.010, in each
22 year the state shall levy for collection in the following year for the
23 support of common schools of the state a tax of three dollars and
24 ((sixty)) seventy cents per thousand dollars of assessed value upon the
25 assessed valuation of all taxable property within the state adjusted to
26 the state equalized value in accordance with the indicated ratio fixed
27 by the state department of revenue.

28 As used in this section, "the support of common schools" includes
29 the payment of the principal and interest on bonds issued for capital
30 construction projects for the common schools.

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

33 EXEMPTION--VERY LOW-INCOME RENTAL PROPERTY. (1) As used in this
34 section:

35 (a) "Eligible property" means:

36 (i) A building, other than a single-family residence, that is used
37 for very low-income housing, together with the portion of the land on

1 which the building stands that is reasonably necessary to provide very
2 low-income housing, such as ancillary areas used for parking, lawn,
3 garden, or landscaping.

4 (ii) A mobile home park that is used for very low-income housing.

5 (b) "Mobile home" means a mobile or manufactured home as defined in
6 RCW 46.04.302.

7 (c) "Mobile home park" means real property that is rented or held
8 out for rent to others for the placement of two or more mobile homes
9 for the primary purpose of production of income, except where such real
10 property is rented or held out for rent for seasonal recreational
11 purposes only and is not intended for year-round occupancy.

12 (d) "Rents set below market rates" means rents do not exceed
13 fifteen percent of the median income, scaled by using the occupancy for
14 the unit authorized by the local building code for family size, for the
15 area in which the building is located, as published by the department
16 of community, trade, and economic development each year. The
17 department may make its estimates for areas outside federal standard
18 metropolitan statistical areas on the basis of the nearest area with
19 such data.

20 (e) "Used for very low-income housing" means that the property
21 meets the following conditions:

22 (i) At least fifty percent of the rentable floor area of a building
23 or fifty percent of the spaces in a mobile home park are used for
24 housing for very low-income households. The remainder of the building
25 or mobile home park may be: (A) Committed to other uses, or (B) vacant
26 for up to six months, as long as the remainder does not impair the
27 habitability of the units used for housing for very low-income
28 households.

29 (ii) At least three dwelling units in the building or spaces in the
30 mobile home park are used for housing for very low-income households.

31 (iii) The rents charged to very low-income households must be set
32 below market rates.

33 (iv) The property must comply with local health and safety
34 standards.

35 (f) "Very low-income household" means a single person, family, or
36 unrelated persons living together whose income is at or below fifty
37 percent of the median income, adjusted for household size, for the
38 county where the housing development is located.

1 (2) Thirty-five percent of the assessed value of eligible property
2 is exempt from property taxes imposed for state purposes.

3 (3) To determine eligibility for exemption under this section, an
4 assessor may require the owner to provide information about occupancy
5 by very low-income households, rents paid, and other pertinent
6 information.

7 NEW SECTION. **Sec. 10.** A new section is added to chapter 84.41 RCW
8 to read as follows:

9 VALUATION INCREASES--PHASE-IN. (1) As used in this section:

10 (a) "Appraised value" means the true and fair value as determined
11 by a revaluation based on a physical inspection of the property.

12 (b) "Value increase" means the appraised value minus the true and
13 fair value listed on the tax roll for the assessment year before the
14 year of revaluation.

15 (2) If the revaluation plan for a county does not provide for
16 annual revaluations, the county assessor, with the approval of the
17 department of revenue under RCW 84.41.041, may elect to phase in
18 valuation increases under this section. If this election is made, it
19 applies to all increased revaluations of real property made by the
20 county assessor during the assessment year. This section does not
21 apply to decreases in value.

22 (3) The assessor shall calculate a phased-in value for each parcel
23 for each year in the revaluation cycle by increasing the valuation for
24 each year by an amount equal to the value increase divided by the
25 number of years in the cycle. The phased-in value for an assessment
26 year shall be used instead of the true and fair value for property tax
27 purposes.

28 **Sec. 11.** RCW 84.40.045 and 1977 ex.s. c 181 s 1 are each amended
29 to read as follows:

30 VALUATION NOTICES. The assessor shall give notice of any change in
31 the true and fair value of real property for the tract or lot of land
32 and any improvements thereon no later than thirty days after appraisal:
33 PROVIDED, That no such notice shall be mailed during the period from
34 January 15 to February 15 of each year: PROVIDED FURTHER, That no
35 notice need be sent with respect to changes in valuation of forest land
36 made pursuant to chapter 84.33 RCW.

1 The notice shall contain a statement of both the prior and the new
 2 true and fair value and the ratio of the assessed value to the true and
 3 fair value on which the assessment of the property is based, stating
 4 separately land (~~and~~), improvement, and total values, and a brief
 5 statement of the procedure for appeal to the board of equalization and
 6 the time, date, and place of the meetings of the board. If a valuation
 7 increase is phased in under section 10 of this act, the notice shall
 8 provide the following information in substantially the following
 9 format, as shown for a county with a four-year revaluation cycle:

	<u>Previous True and Fair Value</u>	<u>Current True and Fair Value</u>
10 <u>Land</u>
11 <u>Improvements</u>
12 <u>Total</u>

14 Under certain conditions, Washington law allows valuation
 15 increases to be phased in during a four-year period. The phased-in
 16 values for this property for the next four years will be:

	<u>For Taxes Due In</u>	<u>Phased-in Value</u>
17 <u>(year 1)</u>	
18 <u>(year 2)</u>	
19 <u>(year 3)</u>	
20 <u>(year 4)</u>	

22 The notice shall be mailed by the assessor to the taxpayer.

23 If any taxpayer, as shown by the tax rolls, holds solely a
 24 security interest in the real property which is the subject of the
 25 notice, pursuant to a mortgage, contract of sale, or deed of trust,
 26 such taxpayer shall, upon written request of the assessor, supply,
 27 within thirty days of receipt of such request, to the assessor the name
 28 and address of the person making payments pursuant to the mortgage,
 29 contract of sale, or deed of trust, and thereafter such person shall
 30 also receive a copy of the notice provided for in this section. Wilful
 31 failure to comply with such request within the time limitation provided
 32 for herein shall make such taxpayer subject to a civil penalty of five
 33 dollars for each parcel of real property within the scope of the
 34 request in which it holds the security interest, the aggregate of such
 35 penalties in any one year not to exceed five thousand dollars. The
 36 penalties provided for herein shall be recoverable in an action by the
 37 county prosecutor, and when recovered shall be deposited in the county

1 current expense fund. The assessor shall make the request provided for
2 by this section during the month of January.

3 NEW SECTION. **Sec. 12.** A new section is added to chapter 84.56
4 RCW to read as follows:

5 TAX STATEMENTS. (1) Each tax statement shall include the amount
6 of taxes due to each district for the current year and the previous
7 year, with separately stated voter-approved and nonvoter-approved
8 amounts. This information shall be provided in substantially the
9 following format:

	This year		
	Voter Approved	Nonvoter approved	Total
12 District 1
13 District 2
14 Total

	Last year		
	Voter Approved	Nonvoter approved	Total
17 District 1
18 District 2
19 Total

20 (2) As used in this section, "voter-approved" includes any levy or
21 portion of a levy approved by the voters of a taxing district,
22 including but not limited to those under Article VII, section 2 of the
23 state Constitution or chapter 84.55 RCW.

24 NEW SECTION. **Sec. 13.** CAPTIONS. Captions as used in this act
25 do not constitute any part of the law.

26 NEW SECTION. **Sec. 14.** SEVERABILITY. If any provision of this
27 act or its application to any person or circumstance is held invalid,
28 the remainder of the act or the application of the provision to other
29 persons or circumstances is not affected.

30 NEW SECTION. **Sec. 15.** EFFECTIVE YEAR. This act shall be
31 effective for taxes levied for collection in 1995 and thereafter.

32 NEW SECTION. **Sec. 16.** CONTINGENT ON CONSTITUTIONAL AMENDMENT.
33 This act shall take effect if the proposed amendment to Article VII of

1 the state Constitution, providing for a homestead exemption, is validly
2 submitted to and is approved and ratified by the voters at the next
3 general election. If the proposed amendment is not so approved and
4 ratified, this act is void in its entirety.

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