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HOUSE BILL 2092

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State of Washington

54th Legislature

1995 Regular Session

By Representatives Campbell, Smith, Pelesky, L. Thomas, Koster, Crouse, Elliot and Mulliken

Read first time 04/12/95.

1 AN ACT Relating to valuation for property tax purposes; amending  
2 RCW 84.36.381; adding new sections to chapter 84.40 RCW; creating a new  
3 section; repealing 1994 sp.s. c 8 s 3 (uncodified); providing effective  
4 dates; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** The intent of this act is to provide  
7 property tax relief by freezing property valuations for low-income  
8 senior citizens and disabled persons, and limiting valuation increases  
9 for other persons to the lesser of inflation or ten percent per year.

10 NEW SECTION. **Sec. 2.** As used in section 3 of this act:

11 (1) "Change of ownership" means a transfer of a present interest in  
12 real property, including a transfer of the beneficial use of real  
13 property.

14 (a) "Change of ownership" includes, except as provided in (b) and  
15 (c) of this subsection, the following:

16 (i) Contracting to convey the title to or ownership of real  
17 property upon the fulfillment of one or more stated conditions where  
18 the right to possession of the property is transferred currently.

1 (ii) The creation, transfer, or termination of a joint tenancy  
2 interest.

3 (iii) The creation, transfer, or termination of a tenancy-in-common  
4 interest.

5 (iv) The vesting of a right of possession or enjoyment of a  
6 remainder or reversionary interest that occurs upon the termination of  
7 a life estate or other similar precedent property interest.

8 (v) An interest that vests in persons other than the trustor where  
9 a revocable trust becomes irrevocable.

10 (vi) The transfer of stock of a cooperative housing corporation,  
11 vested with legal title to real property, that conveys to the  
12 transferee the exclusive right to occupancy and possession of such  
13 property, or a portion of the property.

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

15 (i) A transfer between co-owners that results in a change in the  
16 method of holding title to the real property transferred without  
17 changing the proportional interests of the co-owners in the real  
18 property, such as a partition of a tenancy-in-common.

19 (ii) A transfer for the purpose of merely perfecting title to the  
20 real property.

21 (iii) The creation, assignment, termination, or reconveyance of a  
22 security interest in real property; or the substitution of a trustee  
23 under a security instrument.

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

29 (v) A transfer of real property by an instrument whose terms  
30 reserve to the transferor an estate for years or an estate for life.  
31 However, the termination of such an estate for years or life estate  
32 shall constitute a change of ownership.

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

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

1 (i) Transfers to a trustee for the beneficial use of a spouse, or  
2 the surviving spouse of a deceased transferor, or by a trustee of such  
3 trust to the spouse of the trustor;

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

5 (iii) Transfers to a spouse or former spouse in connection with a  
6 property settlement agreement or decree of dissolution of marriage or  
7 legal separation; and

8 (iv) The creation, transfer, or termination, solely between  
9 spouses, of any co-owner's interest.

10 (2) "Inflation factor" means a number which is provided by the  
11 department and is appropriate for use in measuring changes in the cost  
12 of living. The department may base the factor upon recognized measures  
13 of inflation, including but not limited to the consumer price index as  
14 published by the bureau of labor statistics of the federal department  
15 of labor.

16 (3) "Owned" means owned in fee, as a life estate, or by contract  
17 purchase.

18 NEW SECTION. **Sec. 3.** (1) Real property shall be valued under this  
19 section, unless there has been a change of ownership since the previous  
20 valuation of the property. If there has been a change of ownership  
21 since the previous valuation of the property, the property shall be  
22 revalued as otherwise provided by law.

23 (2) The assessed value of property that is valued under this  
24 section shall be equal to the lesser of the following:

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

27 (b) The most recent assessed value of the property increased on  
28 January 1 each year thereafter by the lesser of the inflation factor or  
29 ten percent, compounded annually, plus the portion of the true and fair  
30 market value attributable to any construction or alteration not  
31 included in the previous assessment, other than construction or  
32 alteration that is otherwise exempt by law.

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

35 **Sec. 5.** RCW 84.36.381 and 1994 sp.s. c 8 s 1 are each amended to  
36 read as follows:

1 A person shall be exempt from any legal obligation to pay all or a  
2 portion of the amount of excess and regular real property taxes due and  
3 payable in the year following the year in which a claim is filed, and  
4 thereafter, in accordance with the following:

5 (1) The property taxes must have been imposed upon a residence  
6 which was occupied by the person claiming the exemption as a principal  
7 place of residence as of the time of filing: PROVIDED, That any person  
8 who sells, transfers, or is displaced from his or her residence may  
9 transfer his or her exemption status to a replacement residence, but no  
10 claimant shall receive an exemption on more than one residence in any  
11 year: PROVIDED FURTHER, That confinement of the person to a hospital  
12 or nursing home shall not disqualify the claim of exemption if:

13 (a) The residence is temporarily unoccupied;

14 (b) The residence is occupied by a spouse and/or a person  
15 financially dependent on the claimant for support; or

16 (c) The residence is rented for the purpose of paying nursing home  
17 or hospital costs;

18 (2) The person claiming the exemption must have owned, at the time  
19 of filing, in fee, as a life estate, or by contract purchase, the  
20 residence on which the property taxes have been imposed or if the  
21 person claiming the exemption lives in a cooperative housing  
22 association, corporation, or partnership, such person must own a share  
23 therein representing the unit or portion of the structure in which he  
24 or she resides. For purposes of this subsection, a residence owned by  
25 a marital community or owned by cotenants shall be deemed to be owned  
26 by each spouse or cotenant, and any lease for life shall be deemed a  
27 life estate;

28 (3) The person claiming the exemption must be sixty-one years of  
29 age or older on December 31st of the year in which the exemption claim  
30 is filed, or must have been, at the time of filing, retired from  
31 regular gainful employment by reason of physical disability: PROVIDED,  
32 That any surviving spouse of a person who was receiving an exemption at  
33 the time of the person's death shall qualify if the surviving spouse is  
34 fifty-seven years of age or older and otherwise meets the requirements  
35 of this section;

36 (4) The amount that the person shall be exempt from an obligation  
37 to pay shall be calculated on the basis of combined disposable income,  
38 as defined in RCW 84.36.383. If the person claiming the exemption was  
39 retired for two months or more of the assessment year, the combined

1 disposable income of such person shall be calculated by multiplying the  
2 average monthly combined disposable income of such person during the  
3 months such person was retired by twelve. If the income of the person  
4 claiming exemption is reduced for two or more months of the assessment  
5 year by reason of the death of the person's spouse, or when other  
6 substantial changes occur in disposable income that are likely to  
7 continue for an indefinite period of time, the combined disposable  
8 income of such person shall be calculated by multiplying the average  
9 monthly combined disposable income of such person after such  
10 occurrences by twelve. If it is necessary to estimate income to comply  
11 with this subsection, the assessor may require confirming documentation  
12 of such income prior to May 31 of the year following application;

13 (5)(a) A person who otherwise qualifies under this section and has  
14 a combined disposable income of twenty-eight thousand dollars or less  
15 shall be exempt from all excess property taxes; and

16 (b)(i) A person who otherwise qualifies under this section and has  
17 a combined disposable income of eighteen thousand dollars or less but  
18 greater than fifteen thousand dollars shall be exempt from all regular  
19 property taxes on the greater of thirty thousand dollars or thirty  
20 percent of the valuation of his or her residence, but not to exceed  
21 fifty thousand dollars of the valuation of his or her residence; or

22 (ii) A person who otherwise qualifies under this section and has a  
23 combined disposable income of fifteen thousand dollars or less shall be  
24 exempt from all regular property taxes on the greater of thirty-four  
25 thousand dollars or fifty percent of the valuation of his or her  
26 residence;

27 (6)(a) For a person who otherwise qualifies under this section and  
28 has a combined disposable income of twenty-eight thousand dollars or  
29 less, the ~~((taxable value of the residence shall not exceed the lesser~~  
30 ~~of (a) the assessed value of the residence as reduced by the exemption~~  
31 ~~under subsection (5) of this section, if any, or (b) the taxable value~~  
32 ~~of the residence for the previous year, increased by the inflation~~  
33 ~~factor for the assessment year. For counties that do not revalue~~  
34 ~~property annually, the amount under (b) of this subsection shall be the~~  
35 ~~previous taxable value increased by the inflation factor for each~~  
36 ~~assessment year since the previous revaluation of the residence. As~~  
37 ~~used in this section, "inflation factor" means the percentage change~~  
38 ~~used by the federal government in adjusting social security payments~~  
39 ~~for inflation at the beginning of each year. The department shall~~

1 ~~provide inflation factors to the county assessors annually)) valuation~~  
2 of the residence shall be the true and fair value of the residence on  
3 the later of January 1, 1995, or January 1st of the year the person  
4 first qualifies under this section. If the person subsequently fails  
5 to qualify under this section only for one year because of high income,  
6 this same valuation shall be used upon requalification. If the person  
7 fails to qualify for more than one year in succession because of high  
8 income or fails to qualify for any other reason, the valuation upon  
9 requalification shall be the true and fair value on January 1st of the  
10 year in which the person requalifies. If the person transfers the  
11 exemption under this section to a different residence, the valuation of the  
12 different residence shall be the true and fair value of the  
13 different residence on January 1st of the year in which the person  
14 transfers the exemption.

15 (b) In no event may the valuation under this subsection be greater  
16 than the true and fair value of the residence on January 1st of the  
17 assessment year.

18 (c) This subsection does not apply to subsequent improvements to  
19 the property in the year in which the improvements are made.  
20 Subsequent improvements to the property shall be added to the value  
21 otherwise determined under this subsection at their true and fair value  
22 in the year in which they are made.

23 NEW SECTION. Sec. 6. 1994 sp.s. c 8 s 3 (uncodified) is repealed.

24 NEW SECTION. Sec. 7. Chapter 8, Laws of 1994 sp. sess. shall take  
25 effect July 1, 1995, and shall be effective for taxes levied for  
26 collection in 1996 and thereafter.

27 NEW SECTION. Sec. 8. This act is necessary for the immediate  
28 preservation of the public peace, health, or safety, or support of the  
29 state government and its existing public institutions, and shall take  
30 effect July 1, 1995, and is effective for taxes levied for collection  
31 in 1996 and thereafter.

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