
HOUSE BILL 2797

State of Washington 54th Legislature 1996 Regular Session

By Representatives B. Thomas and Silver; by request of Department of Revenue

Read first time 01/19/96. Referred to Committee on Finance.

1 AN ACT Relating to intangible personal property; amending RCW
2 84.36.070, 84.40.030, and 84.48.080; and creating new sections.

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

4 **Sec. 1.** RCW 84.36.070 and 1974 ex.s. c 118 s 1 are each amended to
5 read as follows:

6 (~~The following~~) (1) Intangible personal property (~~shall be~~) is
7 exempt from (~~ad valorem~~) property taxation(~~(*)~~). However, for the
8 purposes of determining the true and fair value of real and tangible
9 personal property under this title, the presence of existing intangible
10 assets shall be taken into consideration to the extent that such
11 intangible assets are necessary to put the taxable property to its
12 highest and best use.

13 (2) "Intangible personal property" means:

14 (a) All moneys and credits including mortgages, notes, accounts,
15 certificates of deposit, tax certificates, judgments, state, county and
16 municipal bonds and warrants and bonds and warrants of other taxing
17 districts, bonds of the United States and of foreign countries or
18 political subdivisions thereof, and the bonds, stocks, or shares of
19 private corporations(~~(-)~~);

1 (b) Private nongovernmental personal service contracts ((or)),
2 private nongovernmental athletic or sports franchises, or private
3 nongovernmental athletic or sports agreements provided that ((such))
4 the contracts, franchises, or agreements do not pertain to the use or
5 possession of tangible personal or real property or to any interest in
6 tangible personal or real property; and

7 (c) Intangible assets including, but not limited to, trademarks,
8 trade names, brand names, patents, copyrights, trade secrets, franchise
9 agreements, licenses, permits, noncompete agreements, clientele,
10 customer lists, patient lists, favorable contracts, favorable financing
11 agreements, reputation, exceptional management, prestige, good name, or
12 integrity of a business.

13 **Sec. 2.** RCW 84.40.030 and 1994 c 124 s 20 are each amended to read
14 as follows:

15 (1) All property shall be valued at one hundred percent of its true
16 and fair value in money and assessed on the same basis unless
17 specifically provided otherwise by law.

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

21 (3) For the purposes of determining the true and fair value of
22 taxable property under this title:

23 (a) The presence of existing intangible assets shall be taken into
24 consideration to the extent that the intangible assets are necessary to
25 put the taxable property to its highest and best use; and

26 (b) Characteristics or attributes of property such as zoning,
27 location, view, geographic features, easements, covenants, proximity to
28 raw materials, condition of surrounding property, proximity to markets,
29 and the availability of a skilled work force shall be reflected in the
30 value of the property.

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

34 ~~((1+))~~ (a) Any sales of the property being appraised or similar
35 properties with respect to sales made within the past five years. The
36 appraisal shall be consistent with the comprehensive land use plan,
37 development regulations under chapter 36.70A RCW, zoning, and any other
38 governmental policies or practices in effect at the time of appraisal

1 that affect the use of property, as well as physical and environmental
2 influences. The appraisal shall also take into account: ~~((a))~~ (i)
3 In the use of sales by real estate contract as similar sales, the
4 extent, if any, to which the stated selling price has been increased by
5 reason of the down payment, interest rate, or other financing terms;
6 and ~~((b))~~ (ii) the extent to which the sale of a similar property
7 actually represents the general effective market demand for property of
8 such type, in the geographical area in which such property is located.
9 Sales involving deed releases or similar seller-developer financing
10 arrangements shall not be used as sales of similar property.

11 ~~((2))~~ (b) In addition to sales as defined in (a) of this
12 subsection ~~((1))~~, consideration may be given to cost, cost less
13 depreciation, reconstruction cost less depreciation, or capitalization
14 of income that would be derived from prudent use of the property. In
15 the case of property of a complex nature, or being used under terms of
16 a franchise from a public agency, or operating as a public utility, or
17 property not having a record of sale within five years and not having
18 a significant number of sales of similar property in the general area,
19 the provisions of this subsection ~~((2))~~ (4)(b) shall be the dominant
20 factors in valuation. When provisions of this subsection ~~((2))~~
21 (4)(b) are relied upon for establishing values the property owner shall
22 be advised upon request of the factors used in arriving at such value.

23 ~~((3))~~ (c) In valuing any tract or parcel of real property, the
24 value of the land, exclusive of structures thereon shall be determined;
25 also the value of structures thereon, but the valuation shall not
26 exceed the value of the total property as it exists. In valuing
27 agricultural land, growing crops shall be excluded.

28 **Sec. 3.** RCW 84.48.080 and 1995 2nd sp.s. c 13 s 3 are each amended
29 to read as follows:

30 (1) Annually during the months of September and October, the
31 department of revenue shall examine and compare the returns of the
32 assessment of the property in the several counties of the state, and
33 the assessment of the property of railroad and other companies assessed
34 by the department, and proceed to equalize the same, so that each
35 county in the state shall pay its due and just proportion of the taxes
36 for state purposes for such assessment year, according to the ratio the
37 valuation of the property in each county bears to the total valuation
38 of all property in the state.

1 First. The department shall classify all property, real and
2 personal, and shall raise and lower the valuation of any class of
3 property in any county to a value that shall be equal, so far as
4 possible, to the true and fair value of such class as of January 1st of
5 the current year for the purpose of ascertaining the just amount of tax
6 due from each county for state purposes. In equalizing personal
7 property as of January 1st of the current year, the department shall
8 use the assessment level of the preceding year. Such classification
9 may be on the basis of types of property, geographical areas, or both.
10 For purposes of this section, for each county that has not provided the
11 department with an assessment return by December 1st, the department
12 shall proceed, using facts and information and in a manner it deems
13 appropriate, to estimate the value of each class of property in the
14 county.

15 Second. The department shall keep a full record of its proceedings
16 and the same shall be published annually by the department.

17 (2) The department shall levy the state taxes authorized by law.
18 The amount levied in any one year for general state purposes shall not
19 exceed the lawful dollar rate on the dollar of the assessed value of
20 the property of the entire state, which assessed value shall be one
21 hundred percent of the true and fair value of such property in money.
22 The department shall apportion the amount of tax for state purposes
23 levied by the department, among the several counties, in proportion to
24 the valuation of the taxable property of the county for the year as
25 equalized by the department: PROVIDED, That for purposes of this
26 apportionment, the department shall recompute the previous year's levy
27 and the apportionment thereof to correct for changes and errors in
28 taxable values reported to the department after October 1 of the
29 preceding year and shall adjust the apportioned amount of the current
30 year's state levy for each county by the difference between the
31 apportioned amounts established by the original and revised levy
32 computations for the previous year. For purposes of this section,
33 changes in taxable values mean a final adjustment made by a county
34 board of equalization, the state board of tax appeals, or a court of
35 competent jurisdiction and shall include additions of omitted property,
36 other additions or deletions from the assessment or tax rolls, any
37 assessment return provided by a county to the department subsequent to
38 December 1st, or a change in the indicated ratio of a county. Errors
39 in taxable values mean errors corrected by a final reviewing body.

1 In addition to computing a levy under this subsection that is
2 reduced under RCW 84.55.012, the department shall compute a
3 hypothetical levy without regard to the reduction under RCW 84.55.012.
4 This hypothetical levy shall also be apportioned among the several
5 counties in proportion to the valuation of the taxable property of the
6 county for the year, as equalized by the department, in the same manner
7 as the actual levy and shall be used by the county assessors for the
8 purpose of recomputing and establishing a consolidated levy under RCW
9 84.52.010.

10 (3) The department shall have authority to adopt rules and
11 regulations to enforce obedience to its orders in all matters in
12 relation to the returns of county assessments, the equalization of
13 values, and the apportionment of the state levy by the department.

14 (4) After the completion of the duties prescribed in this section,
15 the director of the department shall certify the record of the
16 proceedings of the department under this section, the tax levies made
17 for state purposes and the apportionment thereof among the counties,
18 and the certification shall be available for public inspection.

19 (5) In equalizing personal property as of January 1, 1996, the
20 department shall treat intangible personal property in the same manner
21 as intangible personal property is to be treated after the effective
22 date of this act.

23 NEW SECTION. Sec. 4. This act shall be effective for taxes levied
24 in 1996 for collection in 1997 and thereafter.

25 NEW SECTION. Sec. 5. If any provision of this act or its
26 application to any person or circumstance is held invalid, the
27 remainder of the act or the application of the provision to other
28 persons or circumstances is not affected.

29 NEW SECTION. Sec. 6. This act shall not be construed to amend or
30 modify any existing statute or rule relating to the treatment of
31 computer software for property tax purposes.

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