
HOUSE BILL 1485

State of Washington

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By Representatives Brough, Holm, Forner, Sheldon, Vance, Schmidt, Talcott, Peery, Brumsickle, Ballard, Cooke, Wood, Casada, Stevens, Foreman, Schoesler, Eide, Miller, Campbell, Roland, Quall, Ballasiotes, Chandler, Van Luven, Horn, Dyer, Reams and Sehlin

Read first time 01/29/93. Referred to Committee on Revenue.

1 AN ACT Relating to limiting property tax valuation increases for
2 owner-occupied residences; adding a new chapter to Title 84 RCW;
3 creating a new section; 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 chapter is to provide
6 property tax relief for homeowners whose home values are increasing at
7 a rapid rate. This rapid increase in home values often has the effect
8 of increasing property taxes without an accompanying increase in a
9 homeowner's ability to pay. This chapter provides for a limitation on
10 the rate of increase of the assessed values of owner-occupied real
11 property so that the effect of rapidly rising property taxes is spread
12 over a period of years.

13 NEW SECTION. **Sec. 2.** Unless the context clearly requires
14 otherwise, the definitions in this section apply throughout this
15 chapter.

16 (1) "Change of ownership" means a transfer of a present interest in
17 real property, including a transfer of the beneficial use of real
18 property.

1 (a) Except as provided in (c) of this subsection, a change of
2 ownership of a present interest in real property shall also include,
3 but not be limited to:

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

7 (ii) The creation, transfer, or termination of a joint tenancy
8 interest.

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

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

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

16 (vi) The transfer of stock of a cooperative housing corporation,
17 vested with legal title to real property, that conveys to the
18 transferee the exclusive right to occupancy and possession of such
19 property, or a portion of the property. The term "cooperative housing
20 corporation" has the meaning as set forth in subsection (3) of this
21 section.

22 (b) The term "change of ownership" does not include:

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

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

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

32 (iv) A transfer of real property by the trustor, or by the
33 trustor's spouse, or by both, into a trust for so long as the
34 transferor is the sole present beneficiary of the trust, or the trust
35 is revocable; or any transfer of real property by a trustee of such
36 trust back to the trustor.

37 (v) A transfer of real property by an instrument whose terms
38 reserve to the transferor an estate for years or an estate for life.

1 However, the termination of such an estate for years or life estate
2 shall constitute a change of ownership.

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

7 (c) The term "change of ownership" also does not include an
8 interspousal transfer of real property, including, but not limited to:

9 (i) Transfers to a trustee for the beneficial use of a spouse, or
10 the surviving spouse of a deceased transferor, or by a trustee of such
11 trust to the spouse of the trustor;

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

13 (iii) Transfers to a spouse or former spouse in connection with a
14 property settlement agreement or decree of dissolution of marriage or
15 legal separation; and

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

18 (2) "Owner-occupied" means residential property occupied as a
19 principal residence in this state by a natural person or persons having
20 a present possessory ownership interest in the property. For this
21 purpose, a principal residence is that residential property located in
22 this state that is occupied by such person or persons the greatest
23 amount of time during the calendar year. Owner-occupied includes
24 residential property that is held in trust, provided that at least one
25 of the current beneficiaries of the trust occupies the property as a
26 principal residence, and residential real property occupied as a
27 principal residence, the title to which is held by a housing
28 cooperative as that term is defined in subsection (3) of this section.
29 The confinement of a person to a hospital or nursing home will not
30 cause the person to fail to satisfy the occupancy requirement imposed
31 herein so long as the property is not rented during such period of
32 confinement.

33 (3)(a) "Residential property" means a single-family dwelling unit,
34 regardless of whether such unit shares a common wall with one or more
35 other units, including the land upon which such dwelling stands, and
36 that is owned in its entirety either by a natural person or persons, a
37 housing cooperative, or a trust. As used in this section, the term
38 "housing cooperative" means an association, corporation, or partnership
39 that holds the title to residential property if the person claiming the

1 benefits of this chapter can establish that his or her share represents
2 the specific unit or portion of such structure in which he or she
3 resides. The term also includes a single-family dwelling situated upon
4 lands the fee of which is vested in the United States or an
5 instrumentality of the United States including an Indian tribe or in
6 the state of Washington, and notwithstanding the provisions of RCW
7 84.04.080 and 84.04.090, such a residence shall be deemed real
8 property.

9 (b) The term residential property also includes a mobile home that
10 has substantially lost its identity as a mobile unit by virtue of its
11 being fixed in location upon land owned or leased by the owner of the
12 mobile home and placed upon a foundation (posts or blocks) with fixed
13 pipe, connections with sewer, water, or other utilities; provided that
14 a mobile home located on land leased by the owner of the mobile home
15 shall be subject, for tax billing, payment, and collection purposes,
16 only to the personal property provisions of chapter 84.56 RCW and RCW
17 84.60.040.

18 (c) The term residential property does not include a dwelling unit
19 primarily used in the conduct of a commercial enterprise or a dwelling
20 unit located upon real property that is primarily used in the conduct
21 of a commercial enterprise. Property will be considered primarily used
22 in the conduct of a commercial enterprise if more than one-half of the
23 total square footage of the property is devoted to commercial use.

24 NEW SECTION. **Sec. 3.** (1) An owner-occupant of residential
25 property may apply to the county assessor in the county where the
26 property is located to have his or her real property assessed under
27 this chapter. Application shall be made on forms prepared by the
28 department of revenue and available at the office of the county
29 assessor. The application shall be submitted to the county assessor
30 for determination of qualification under this chapter. A taxpayer who
31 submits an application shall certify that he or she is the owner and
32 occupant of a qualifying residence. After the taxpayer submits the
33 initial application, and the assessor determines that the taxpayer
34 qualifies for the assessed value limitations of this chapter, the
35 assessor shall, at the time a notice of change of value is mailed to a
36 taxpayer pursuant to RCW 84.40.045, require the taxpayer to recertify
37 that he or she is an owner and occupant of a qualifying residence in

1 order to continue to qualify for the assessed value limitation
2 provisions of this chapter.

3 (2) If, on the basis of the application submitted by the taxpayer,
4 the assessor determines that the taxpayer does not qualify for the
5 assessed value limitation under this chapter, the assessor shall so
6 notify the taxpayer in writing. The notice shall inform the taxpayer
7 of the reasons for the failure to qualify and of his or her right to
8 appeal the assessor's determination to the county board of equalization
9 within thirty days of the mailing of the notice to the taxpayer.

10 NEW SECTION. Sec. 4. (1) Each owner-occupied residential property
11 qualifying under this chapter shall be valued and assessed as provided
12 in this section, unless and until the property is no longer owner-
13 occupied residential property, or a change of ownership of the property
14 has occurred.

15 (2) Except as provided in subsection (3) of this section, the
16 assessed value of owner-occupied residential property shall be the
17 lesser of the following values at the time of valuation:

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

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

25 (3) The assessed value of property valued under this chapter shall
26 not be less than sixty-six percent of the true and fair market value as
27 established by the county assessor in accordance with applicable law;

28 (4) All property valued under this section shall be listed on the
29 county assessment rolls by the assessor at each of the values described
30 in subsection (1) (a) and (b) of this section.

31 NEW SECTION. Sec. 5. Upon a change of ownership involving an
32 interest or interests of more than fifty percent in a property valued
33 under this chapter, the entire property shall be revalued by the
34 assessor with reference to its true and fair market value as of January
35 1 of the year following the date the change of ownership occurs.
36 Changes of ownership during an assessment year shall be cumulated for
37 the purposes of determining the percentage of interests transferred.

1 NEW SECTION. **Sec. 6.** Sections 1 through 5 of this act shall
2 constitute a new chapter in Title 84 RCW.

3 NEW SECTION. **Sec. 7.** This act shall be effective for taxes levied
4 for collection in 1994 and thereafter.

5 NEW SECTION. **Sec. 8.** This act shall take effect if the proposed
6 amendment to Article VII, section 1 of the state Constitution, limiting
7 increases in taxation of real estate during periods if there is no
8 change in ownership of property is validly submitted to and is approved
9 and ratified by the voters at the next general election. If the
10 proposed amendment is not so approved and ratified, this act is void in
11 its entirety.

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