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5 Strike everything after the enacting clause and insert the
6 following:

7 NEW SECTION. Sec. 1. (1) The legislature finds that:

8 (a) The assessment of intangible personal property in many
9 instances would be inequitable because it may effectively double tax
10 the same property;

11 (b) Some forms of intangible personal property may not be readily
12 identifiable in a uniform manner and, due to the voluntary compliance
13 nature of the personal property tax system, may escape detection
14 resulting in an inconsistent application among taxpayers who possess
15 this property;

16 (c) It can be difficult to determine a situs of or value for
17 intangible personal property. These difficulties can create
18 significant costs in both financial and human resources to assessing
19 authorities and taxpayers;

20 (d) It is in the best interest of all taxpayers and taxing
21 authorities to clarify the proper treatment of intangible personal
22 property in the property tax system and to ease the administrative
23 burdens and costs related to intangible personal property; and

24 (e) Uncertainty about the assessment of intangible personal
25 property could be detrimental to economic development in the state of
26 Washington.

27 (2) It is the intent of the legislature that:

28 (a) Intangible personal property be exempt from property taxation;

29 (b) Assessing officials continue their practice of reflecting
30 characteristics and attributes of taxable real and tangible personal
31 property in the value of the property;

32 (c) For the purposes of determining the true and fair value of real
33 and tangible personal property under Title 84 RCW, the presence of
34 existing intangible assets shall be considered in determining the
35 highest and best use of taxable property. "Highest and best use" under
36 RCW 84.36.070(1) means the functional use for which the taxable

1 property is employed without regard to the specific identity of the
2 user;

3 (d) This act is not intended to incorporate nor is it based on any
4 other state's statutory or case law;

5 (e) Nothing in this act be construed as precluding the use of, or
6 permitting a departure from, generally accepted appraisal practices and
7 the appropriate application thereof in the valuation of real and
8 tangible personal property. Any assessment practice or result that was
9 unlawful or incorrectly applied immediately before the effective date
10 of this act shall not be made lawful or correct by this act.

11 **Sec. 2.** RCW 84.36.070 and 1974 ex.s. c 118 s 1 are each amended to
12 read as follows:

13 (~~The following~~) (1)(a) Intangible personal property shall be
14 exempt from (~~ad valorem~~) property taxation(~~(+)~~). However, for the
15 purposes of determining the true and fair value of real and tangible
16 personal property under this title, the presence of existing intangible
17 assets shall be considered in determining the highest and best use of
18 taxable property.

19 (b) For the purposes of (a) of this subsection, "highest and best
20 use" means the functional use for which the taxable property is
21 employed without regard to the specific identity of the user:
22 PROVIDED, That nothing in this subsection (1)(b) requires that taxable
23 property be valued at current use except as provided otherwise in this
24 title.

25 (2) "Intangible personal property" means:

26 (a) All moneys and credits including mortgages, notes, accounts,
27 certificates of deposit, tax certificates, judgments, state, county and
28 municipal bonds and warrants and bonds and warrants of other taxing
29 districts, bonds of the United States and of foreign countries or
30 political subdivisions thereof and the bonds, stocks or shares of
31 private corporations(~~(-)~~);

32 (b) Private nongovernmental personal service contracts or private
33 nongovernmental athletic or sports franchises or private
34 nongovernmental athletic or sports agreements provided that such
35 contracts, franchises or agreements do not pertain to the use or
36 possession of tangible personal or real property or to any interest in
37 tangible personal or real property; and

1 (c) Intangible assets including, but not limited to, trademarks,
2 trade names, brand names, patents, copyrights, trade secrets, franchise
3 agreements, licenses, permits, core deposits of financial institutions,
4 noncompete agreements, clientele, customer lists, patient lists,
5 favorable contracts, favorable financing agreements, reputation,
6 exceptional management, prestige, good name, or integrity of a
7 business.

8 **Sec. 3.** RCW 84.40.030 and 1994 c 124 s 20 are each amended to read
9 as follows:

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

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

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

18 (a) The exemption provided in RCW 84.36.070(1)(a) is not intended
19 to prohibit the consideration of income generated by or market
20 information related to the property being appraised, as provided in RCW
21 84.12.300 and 84.16.050 and subsection (4) of this section.

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

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

30 ~~((1))~~ (a) Any sales of the property being appraised or similar
31 properties with respect to sales made within the past five years. The
32 appraisal shall be consistent with the comprehensive land use plan,
33 development regulations under chapter 36.70A RCW, zoning, and any other
34 governmental policies or practices in effect at the time of appraisal
35 that affect the use of property, as well as physical and environmental
36 influences. The appraisal shall also take into account: ~~((a))~~ (i)
37 In the use of sales by real estate contract as similar sales, the
38 extent, if any, to which the stated selling price has been increased by

1 reason of the down payment, interest rate, or other financing terms;
2 and ~~((+b))~~ (ii) the extent to which the sale of a similar property
3 actually represents the general effective market demand for property of
4 such type, in the geographical area in which such property is located.
5 Sales involving deed releases or similar seller-developer financing
6 arrangements shall not be used as sales of similar property.

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

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

24 **Sec. 4.** RCW 84.48.080 and 1995 2nd sp.s. c 13 s 3 are each amended
25 to read as follows:

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

35 First. The department shall classify all property, real and
36 personal, and shall raise and lower the valuation of any class of
37 property in any county to a value that shall be equal, so far as
38 possible, to the true and fair value of such class as of January 1st of

1 the current year for the purpose of ascertaining the just amount of tax
2 due from each county for state purposes. In equalizing personal
3 property as of January 1st of the current year, the department shall
4 use the assessment level of the preceding year. Such classification
5 may be on the basis of types of property, geographical areas, or both.
6 For purposes of this section, for each county that has not provided the
7 department with an assessment return by December 1st, the department
8 shall proceed, using facts and information and in a manner it deems
9 appropriate, to estimate the value of each class of property in the
10 county.

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

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

36 In addition to computing a levy under this subsection that is
37 reduced under RCW 84.55.012, the department shall compute a
38 hypothetical levy without regard to the reduction under RCW 84.55.012.
39 This hypothetical levy shall also be apportioned among the several

1 counties in proportion to the valuation of the taxable property of the
2 county for the year, as equalized by the department, in the same manner
3 as the actual levy and shall be used by the county assessors for the
4 purpose of recomputing and establishing a consolidated levy under RCW
5 84.52.010.

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

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

15 (5) In equalizing personal property as of January 1, 1996, the
16 department shall treat intangible personal property in the same manner
17 as intangible personal property is to be treated after the effective
18 date of this act.

19 NEW SECTION. Sec. 5. This act shall not be construed to amend or
20 modify any existing statute or rule relating to the treatment of
21 computer software, retained rights in computer software, and golden and
22 master copies of computer software for property tax purposes.

23 NEW SECTION. Sec. 6. Nothing in this act is intended to
24 incorporate and nothing herein is based on any other state's statutory
25 or case law.

26 NEW SECTION. Sec. 7. Nothing in this act shall be construed as
27 precluding the use of, or permitting a departure from, generally
28 accepted appraisal practices and the appropriate application of the
29 practices in the valuation of real and tangible personal property. Any
30 assessment practice or result that was unlawful or incorrectly applied
31 immediately before the effective date of this act shall not be made
32 lawful or correct by this act.

33 NEW SECTION. Sec. 8. If any provision of this act or its
34 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 9.** This act shall be effective for taxes levied
4 in 1996 for collection in 1997 and thereafter."

5 **SHB 2745** - S AMD - 298

6 By Senators West, McDonald, Owen, Anderson, Wood, Cantu

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8 On page 1, line 1 of the title, after "property;" strike the
9 remainder of the title and insert "amending RCW 84.36.070, 84.40.030,
10 and 84.48.080; and creating new sections."

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