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SENATE BILL 5334

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State of Washington

64th Legislature

2015 Regular Session

By Senator Mullet

Read first time 01/19/15. Referred to Committee on Early Learning & K-12 Education.

1 AN ACT Relating to lowering reliance on local levies to fund  
2 basic education; amending RCW 84.52.065, 84.52.0531, 28A.500.020,  
3 28A.500.020, 84.36.381, and 84.36.630; amending 2013 2nd sp.s. c 4 s  
4 1905 (uncodified); reenacting and amending RCW 84.52.0531; adding a  
5 new section to chapter 84.52 RCW; creating new sections; providing  
6 effective dates; and providing an expiration date.

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

8 NEW SECTION. **Sec. 1.** (1) The legislature finds that Article IX  
9 of the state Constitution provides: "It is the paramount duty of the  
10 state to make ample provision for the education of all children  
11 residing within its borders . . . ." The legislature acknowledges that  
12 the legislature's duty under Article IX is to define and amply fund  
13 the program of basic education using dependable resources.

14 (2) The legislature finds that the state Constitution also  
15 authorizes school districts to collect property tax revenues in  
16 excess of one percent of the assessed value of county property for  
17 school districts to provide programs and activities outside of the  
18 program of basic education. The legislature recognizes that the  
19 courts have consistently found that these local levy dollars are not  
20 dependable resources because the local levy is wholly dependent upon  
21 the whim of the electorate and available on only a temporary basis

1 and therefore must not be used to fund the program of basic  
2 education. However, the legislature maintains that local levy  
3 authority is important to the educational funding system and is a  
4 primary method for communities to show support for the local schools.

5 (3) The legislature intends to address the issue identified in  
6 *McCleary v. State*, 173 Wn.2d 477 (2012), that some school districts  
7 currently rely too heavily on local levy funds for costs related to  
8 providing a program of basic education. The legislature expects to  
9 lower the reliance by school districts on local levies and  
10 significantly increase the state support provided for the program of  
11 basic education by increasing the state property tax, reducing local  
12 school levies by the same amount, and redistributing the increased  
13 state levy back to the school district from which it came.

14 (4) The legislature recognizes that only addressing the over  
15 reliance on local levy funding for the program of education will not  
16 be sufficient to meet all the obligations of the state to fully fund  
17 basic education. Therefore, the legislature also intends to invest  
18 significant additional funding for the program of basic education as  
19 specified in other legislation and in the omnibus appropriations act.

20 **PART I**

21 **INCREASING THE STATE PROPERTY TAX AND REDUCING**  
22 **LOCAL SCHOOL LEVIES BY THE SAME AMOUNT**

23 **Sec. 101.** RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each  
24 amended to read as follows:

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

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

35 (2) In addition to the tax authorized under subsection (1) of  
36 this section and subject to the limitations in RCW 84.55.010, the  
37 state must levy an additional tax, for collection beginning in 2016,  
38 for the support of the common schools of the state equal to one

1 dollar per thousand dollars of assessed value upon the assessed  
2 valuation of all taxable property within the state adjusted to the  
3 state equalized value in accordance with the indicated ratio fixed by  
4 the department of revenue. Revenues from the tax under this  
5 subsection must be deposited into the education legacy trust account  
6 under RCW 83.100.230.

7 (3) The combined total of the tax in subsections (1) and (2) of  
8 this section must not exceed three dollars and sixty cents per  
9 thousand dollars of assessed value upon the assessed valuation of all  
10 taxable property within the state adjusted to the state equalized  
11 value in accordance with the indicated ratio fixed by the department  
12 of revenue.

13 **Sec. 102.** RCW 84.52.0531 and 2013 c 242 s 8 are each amended to  
14 read as follows:

15 The maximum dollar amount which may be levied by or for any  
16 school district for maintenance and operation support under the  
17 provisions of RCW 84.52.053 shall be determined as follows:

18 (1) For excess levies for collection in calendar year 1997, the  
19 maximum dollar amount shall be calculated pursuant to the laws and  
20 rules in effect in November 1996.

21 (2) For excess levies for collection in calendar year 1998 and  
22 thereafter, the maximum dollar amount shall be the sum of (a) plus or  
23 minus (b), (c), and (d) of this subsection minus (e) and minus (f) of  
24 this subsection:

25 (a) The district's levy base as defined in subsections (3) and  
26 (4) of this section multiplied by the district's maximum levy  
27 percentage as defined in subsection (7) of this section;

28 (b) For districts in a high/nonhigh relationship, the high school  
29 district's maximum levy amount shall be reduced and the nonhigh  
30 school district's maximum levy amount shall be increased by an amount  
31 equal to the estimated amount of the nonhigh payment due to the high  
32 school district under RCW 28A.545.030(3) and 28A.545.050 for the  
33 school year commencing the year of the levy;

34 (c) Except for nonhigh districts under (d) of this subsection,  
35 for districts in an interdistrict cooperative agreement, the  
36 nonresident school district's maximum levy amount shall be reduced  
37 and the resident school district's maximum levy amount shall be  
38 increased by an amount equal to the per pupil basic education

1 allocation included in the nonresident district's levy base under  
2 subsection (3) of this section multiplied by:

3 (i) The number of full-time equivalent students served from the  
4 resident district in the prior school year; multiplied by:

5 (ii) The serving district's maximum levy percentage determined  
6 under subsection (7) of this section; increased by:

7 (iii) The percent increase per full-time equivalent student as  
8 stated in the state basic education appropriation section of the  
9 biennial budget between the prior school year and the current school  
10 year divided by fifty-five percent;

11 (d) The levy bases of nonhigh districts participating in an  
12 innovation academy cooperative established under RCW 28A.340.080  
13 shall be adjusted by the office of the superintendent of public  
14 instruction to reflect each district's proportional share of student  
15 enrollment in the cooperative;

16 (e) The district's maximum levy amount shall be reduced by the  
17 maximum amount of state matching funds for which the district is  
18 eligible under RCW 28A.500.010;

19 (f) The district's maximum levy amount shall be reduced by an  
20 amount equal to one dollar per thousand dollars of assessed value  
21 upon the assessed valuation of all taxable property within the  
22 district adjusted to the state equalized value in accordance with the  
23 indicated ratio fixed by the department of revenue.

24 (3) For excess levies for collection in calendar year 2005 and  
25 thereafter, a district's levy base shall be the sum of allocations in  
26 (a) through (c) of this subsection received by the district for the  
27 prior school year and the amounts determined under subsection (4) of  
28 this section, including allocations for compensation increases, plus  
29 the sum of such allocations multiplied by the percent increase per  
30 full time equivalent student as stated in the state basic education  
31 appropriation section of the biennial budget between the prior school  
32 year and the current school year and divided by fifty-five percent. A  
33 district's levy base shall not include local school district property  
34 tax levies or other local revenues, or state and federal allocations  
35 not identified in (a) through (c) of this subsection.

36 (a) The district's basic education allocation as determined  
37 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

38 (b) State and federal categorical allocations for the following  
39 programs:

40 (i) Pupil transportation;

1 (ii) Special education;  
2 (iii) Education of highly capable students;  
3 (iv) Compensatory education, including but not limited to  
4 learning assistance, migrant education, Indian education, refugee  
5 programs, and bilingual education;  
6 (v) Food services; and  
7 (vi) Statewide block grant programs; and  
8 (c) Any other federal allocations for elementary and secondary  
9 school programs, including direct grants, other than federal impact  
10 aid funds and allocations in lieu of taxes.

11 (4) For levy collections in calendar years 2005 through 2017, in  
12 addition to the allocations included under subsection (3)(a) through  
13 (c) of this section, a district's levy base shall also include the  
14 following:

15 (a)(i) For levy collections in calendar year 2010, the difference  
16 between the allocation the district would have received in the  
17 current school year had RCW 84.52.068 not been amended by chapter 19,  
18 Laws of 2003 1st sp. sess. and the allocation the district received  
19 in the current school year pursuant to RCW 28A.505.220;

20 (ii) For levy collections in calendar years 2011 through 2017,  
21 the allocation rate the district would have received in the prior  
22 school year using the Initiative 728 rate multiplied by the full-time  
23 equivalent student enrollment used to calculate the Initiative 728  
24 allocation for the prior school year; and

25 (b) The difference between the allocations the district would  
26 have received the prior school year using the Initiative 732 base and  
27 the allocations the district actually received the prior school year  
28 pursuant to RCW 28A.400.205.

29 (5) For levy collections in calendar years 2011 through 2017, in  
30 addition to the allocations included under subsections (3)(a) through  
31 (c) and (4)(a) and (b) of this section, a district's levy base shall  
32 also include the difference between an allocation of fifty-three and  
33 two-tenths certificated instructional staff units per thousand full-  
34 time equivalent students in grades kindergarten through four enrolled  
35 in the prior school year and the allocation of certificated  
36 instructional staff units per thousand full-time equivalent students  
37 in grades kindergarten through four that the district actually  
38 received in the prior school year, except that the levy base for a  
39 school district whose allocation in the 2009-10 school year was less  
40 than fifty-three and two-tenths certificated instructional staff

1 units per thousand full-time equivalent students in grades  
2 kindergarten through four shall include the difference between the  
3 allocation the district actually received in the 2009-10 school year  
4 and the allocation the district actually received in the prior school  
5 year.

6 (6) For levy collections beginning in calendar year 2014 and  
7 thereafter, in addition to the allocations included under subsections  
8 (3)(a) through (c), (4)(a) and (b), and (5) of this section, a  
9 district's levy base shall also include the funds allocated by the  
10 superintendent of public instruction under RCW 28A.715.040 to a  
11 school that is the subject of a state-tribal education compact and  
12 that formerly contracted with the school district to provide  
13 educational services through an interlocal agreement and received  
14 funding from the district.

15 (7)(a) A district's maximum levy percentage shall be twenty-four  
16 percent in 2010 and twenty-eight percent in 2011 through 2017 and  
17 twenty-four percent every year thereafter;

18 (b) For qualifying districts, in addition to the percentage in  
19 (a) of this subsection the grandfathered percentage determined as  
20 follows:

21 (i) For 1997, the difference between the district's 1993 maximum  
22 levy percentage and twenty percent; and

23 (ii) For 2011 through 2017, the percentage calculated as follows:

24 (A) Multiply the grandfathered percentage for the prior year  
25 times the district's levy base determined under subsection (3) of  
26 this section;

27 (B) Reduce the result of (b)(ii)(A) of this subsection by any  
28 levy reduction funds as defined in subsection (8) of this section  
29 that are to be allocated to the district for the current school year;

30 (C) Divide the result of (b)(ii)(B) of this subsection by the  
31 district's levy base; and

32 (D) Take the greater of zero or the percentage calculated in  
33 (b)(ii)(C) of this subsection.

34 (8) "Levy reduction funds" shall mean increases in state funds  
35 from the prior school year for programs included under subsections  
36 (3) and (4) of this section: (a) That are not attributable to  
37 enrollment changes, compensation increases, or inflationary  
38 adjustments; and (b) that are or were specifically identified as levy  
39 reduction funds in the appropriations act. If levy reduction funds  
40 are dependent on formula factors which would not be finalized until

1 after the start of the current school year, the superintendent of  
2 public instruction shall estimate the total amount of levy reduction  
3 funds by using prior school year data in place of current school year  
4 data. Levy reduction funds shall not include moneys received by  
5 school districts from cities or counties.

6 (9) The definitions in this subsection apply throughout this  
7 section unless the context clearly requires otherwise.

8 (a) "Prior school year" means the most recent school year  
9 completed prior to the year in which the levies are to be collected.

10 (b) "Current school year" means the year immediately following  
11 the prior school year.

12 (c) "Initiative 728 rate" means the allocation rate at which the  
13 student achievement program would have been funded under chapter 3,  
14 Laws of 2001, if all annual adjustments to the initial 2001  
15 allocation rate had been made in previous years and in each  
16 subsequent year as provided for under chapter 3, Laws of 2001.

17 (d) "Initiative 732 base" means the prior year's state allocation  
18 for annual salary cost-of-living increases for district employees in  
19 the state-funded salary base as it would have been calculated under  
20 chapter 4, Laws of 2001, if each annual cost-of-living increase  
21 allocation had been provided in previous years and in each subsequent  
22 year.

23 (10) Funds collected from transportation vehicle fund tax levies  
24 shall not be subject to the levy limitations in this section.

25 (11) The superintendent of public instruction shall develop rules  
26 and inform school districts of the pertinent data necessary to carry  
27 out the provisions of this section.

28 (12) For calendar year 2009, the office of the superintendent of  
29 public instruction shall recalculate school district levy authority  
30 to reflect levy rates certified by school districts for calendar year  
31 2009.

32 **Sec. 103.** RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11  
33 are each reenacted and amended to read as follows:

34 The maximum dollar amount which may be levied by or for any  
35 school district for maintenance and operation support under the  
36 provisions of RCW 84.52.053 shall be determined as follows:

37 (1) For excess levies for collection in calendar year 1997, the  
38 maximum dollar amount shall be calculated pursuant to the laws and  
39 rules in effect in November 1996.

1 (2) For excess levies for collection in calendar year 1998 and  
2 thereafter, the maximum dollar amount shall be the sum of (a) plus or  
3 minus (b), (c), and (d) of this subsection minus (e) and minus (f) of  
4 this subsection:

5 (a) The district's levy base as defined in subsection (3) of this  
6 section multiplied by the district's maximum levy percentage as  
7 defined in subsection (4) of this section;

8 (b) For districts in a high/nonhigh relationship, the high school  
9 district's maximum levy amount shall be reduced and the nonhigh  
10 school district's maximum levy amount shall be increased by an amount  
11 equal to the estimated amount of the nonhigh payment due to the high  
12 school district under RCW 28A.545.030(3) and 28A.545.050 for the  
13 school year commencing the year of the levy;

14 (c) Except for nonhigh districts under (d) of this subsection,  
15 for districts in an interdistrict cooperative agreement, the  
16 nonresident school district's maximum levy amount shall be reduced  
17 and the resident school district's maximum levy amount shall be  
18 increased by an amount equal to the per pupil basic education  
19 allocation included in the nonresident district's levy base under  
20 subsection (3) of this section multiplied by:

21 (i) The number of full-time equivalent students served from the  
22 resident district in the prior school year; multiplied by:

23 (ii) The serving district's maximum levy percentage determined  
24 under subsection (4) of this section; increased by:

25 (iii) The percent increase per full-time equivalent student as  
26 stated in the state basic education appropriation section of the  
27 biennial budget between the prior school year and the current school  
28 year divided by fifty-five percent;

29 (d) The levy bases of nonhigh districts participating in an  
30 innovation academy cooperative established under RCW 28A.340.080  
31 shall be adjusted by the office of the superintendent of public  
32 instruction to reflect each district's proportional share of student  
33 enrollment in the cooperative;

34 (e) The district's maximum levy amount shall be reduced by the  
35 maximum amount of state matching funds for which the district is  
36 eligible under RCW 28A.500.010;

37 (f) The district's maximum levy amount shall be reduced by an  
38 amount equal to one dollar per thousand dollars of assessed value  
39 upon the assessed valuation of all taxable property within the



1 district adjusted to the state equalized value in accordance with the  
2 indicated ratio fixed by the department of revenue.

3 (3) For excess levies for collection in calendar year 1998 and  
4 thereafter, a district's levy base shall be the sum of allocations in  
5 (a) through (c) of this subsection received by the district for the  
6 prior school year, including allocations for compensation increases,  
7 plus the sum of such allocations multiplied by the percent increase  
8 per full time equivalent student as stated in the state basic  
9 education appropriation section of the biennial budget between the  
10 prior school year and the current school year and divided by fifty-  
11 five percent. A district's levy base shall not include local school  
12 district property tax levies or other local revenues, or state and  
13 federal allocations not identified in (a) through (c) of this  
14 subsection.

15 (a) The district's basic education allocation as determined  
16 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

17 (b) State and federal categorical allocations for the following  
18 programs:

19 (i) Pupil transportation;

20 (ii) Special education;

21 (iii) Education of highly capable students;

22 (iv) Compensatory education, including but not limited to  
23 learning assistance, migrant education, Indian education, refugee  
24 programs, and bilingual education;

25 (v) Food services; and

26 (vi) Statewide block grant programs; and

27 (c) Any other federal allocations for elementary and secondary  
28 school programs, including direct grants, other than federal impact  
29 aid funds and allocations in lieu of taxes.

30 (4)(a) A district's maximum levy percentage shall be twenty-four  
31 percent in 2010 and twenty-eight percent in 2011 through 2017 and  
32 twenty-four percent every year thereafter;

33 (b) For qualifying districts, in addition to the percentage in  
34 (a) of this subsection the grandfathered percentage determined as  
35 follows:

36 (i) For 1997, the difference between the district's 1993 maximum  
37 levy percentage and twenty percent; (~~and~~)

38 (ii) For 2011 through 2017, the percentage calculated as follows:

1 (A) Multiply the grandfathered percentage for the prior year  
2 times the district's levy base determined under subsection (3) of  
3 this section;

4 (B) Reduce the result of (b)(ii)(A) of this subsection by any  
5 levy reduction funds as defined in subsection (5) of this section  
6 that are to be allocated to the district for the current school year;

7 (C) Divide the result of (b)(ii)(B) of this subsection by the  
8 district's levy base; and

9 (D) Take the greater of zero or the percentage calculated in  
10 (b)(ii)(C) of this subsection;

11 (iii) For 2018 and thereafter, the percentage shall be calculated  
12 as follows:

13 (A) Multiply the grandfathered percentage for the prior year  
14 times the district's levy base determined under subsection (3) of  
15 this section;

16 (B) Reduce the result of (b)(iii)(A) of this subsection by any  
17 levy reduction funds as defined in subsection (5) of this section  
18 that are to be allocated to the district for the current school year;

19 (C) Divide the result of (b)(iii)(B) of this subsection by the  
20 district's levy base; and

21 (D) Take the greater of zero or the percentage calculated in  
22 (b)(iii)(C) of this subsection.

23 (5) "Levy reduction funds" shall mean increases in state funds  
24 from the prior school year for programs included under subsection (3)  
25 of this section: (a) That are not attributable to enrollment changes,  
26 compensation increases, or inflationary adjustments; and (b) that are  
27 or were specifically identified as levy reduction funds in the  
28 appropriations act. If levy reduction funds are dependent on formula  
29 factors which would not be finalized until after the start of the  
30 current school year, the superintendent of public instruction shall  
31 estimate the total amount of levy reduction funds by using prior  
32 school year data in place of current school year data. Levy reduction  
33 funds shall not include moneys received by school districts from  
34 cities or counties.

35 (6) For the purposes of this section, "prior school year" means  
36 the most recent school year completed prior to the year in which the  
37 levies are to be collected.

38 (7) For the purposes of this section, "current school year" means  
39 the year immediately following the prior school year.

1 (8) Funds collected from transportation vehicle fund tax levies  
2 shall not be subject to the levy limitations in this section.

3 (9) The superintendent of public instruction shall develop rules  
4 and regulations and inform school districts of the pertinent data  
5 necessary to carry out the provisions of this section.

6 **Sec. 104.** RCW 28A.500.020 and 2013 2nd sp.s. c 4 s 957 are each  
7 amended to read as follows:

8 (1) Unless the context clearly requires otherwise, the  
9 definitions in this section apply throughout this chapter.

10 (a) "Prior tax collection year" means the year immediately  
11 preceding the year in which the local effort assistance shall be  
12 allocated.

13 (b) "Statewide average fourteen percent levy rate" means fourteen  
14 percent of the total levy bases as defined in RCW 84.52.0531 (3)  
15 through (5) for calendar years 2014 and 2015, and as defined in RCW  
16 84.52.0531 (3) and (4) in calendar years 2016 and thereafter, summed  
17 for all school districts, and divided by the total assessed valuation  
18 for excess levy purposes in the prior tax collection year for all  
19 districts as adjusted to one hundred percent by the county indicated  
20 ratio established in RCW 84.48.075. In calendar year 2016 and  
21 thereafter, the statewide maximum levy amount shall be reduced by the  
22 amount collected by the state under RCW 84.52.065(2).

23 (c) The "district's fourteen percent levy amount" means the  
24 school district's maximum levy authority after transfers determined  
25 under RCW 84.52.0531(2) (a) through (c) divided by the district's  
26 maximum levy percentage determined under RCW 84.52.0531(~~(+6)~~) (7)  
27 multiplied by fourteen percent. In calendar year 2016 and thereafter,  
28 the district's maximum levy amount shall be reduced by the district's  
29 allocation of revenue collected under RCW 84.52.065(2).

30 (d) The "district's fourteen percent levy rate" means the  
31 district's fourteen percent levy amount divided by the district's  
32 assessed valuation for excess levy purposes for the prior tax  
33 collection year as adjusted to one hundred percent by the county  
34 indicated ratio.

35 (e) "Districts eligible for local effort assistance" means those  
36 districts with a fourteen percent levy rate that exceeds the  
37 statewide average fourteen percent levy rate.

1 (2) Unless otherwise stated all rates, percents, and amounts are  
2 for the calendar year for which local effort assistance is being  
3 calculated under this chapter.

4 **Sec. 105.** RCW 28A.500.020 and 1999 c 317 s 2 are each amended to  
5 read as follows:

6 (1) Unless the context clearly requires otherwise, the  
7 definitions in this section apply throughout this chapter.

8 (a) "Prior tax collection year" means the year immediately  
9 preceding the year in which the local effort assistance shall be  
10 allocated.

11 (b) "Statewide average twelve percent levy rate" means twelve  
12 percent of the total levy bases as defined in RCW 84.52.0531(3)  
13 summed for all school districts, and divided by the total assessed  
14 valuation for excess levy purposes in the prior tax collection year  
15 for all districts as adjusted to one hundred percent by the county  
16 indicated ratio established in RCW 84.48.075. The statewide maximum  
17 levy amount shall be reduced by the amount collected by the state  
18 under RCW 84.52.065(2).

19 (c) The "district's twelve percent levy amount" means the school  
20 district's maximum levy authority after transfers determined under  
21 RCW 84.52.0531(2) (a) through (c) divided by the district's maximum  
22 levy percentage determined under RCW 84.52.0531(4) multiplied by  
23 twelve percent. The district's maximum levy amount shall be reduced  
24 by the district's allocation of revenue collected under RCW  
25 84.52.065(2).

26 (d) The "district's twelve percent levy rate" means the  
27 district's twelve percent levy amount divided by the district's  
28 assessed valuation for excess levy purposes for the prior tax  
29 collection year as adjusted to one hundred percent by the county  
30 indicated ratio.

31 (e) "Districts eligible for local effort assistance" means those  
32 districts with a twelve percent levy rate that exceeds the statewide  
33 average twelve percent levy rate.

34 (2) Unless otherwise stated all rates, percents, and amounts are  
35 for the calendar year for which local effort assistance is being  
36 calculated under this chapter.

37 **PART II**

38 **REDISTRIBUTING THE INCREASED STATE LEVY BACK**

1 TO THE SCHOOL DISTRICT FROM WHICH IT CAME

2 NEW SECTION. **Sec. 201.** A new section is added to chapter 84.52  
3 RCW to read as follows:

4 (1) Revenues from the tax imposed under RCW 82.52.065(2) must be  
5 distributed to the school district from which the tax was imposed and  
6 collected on each taxable property.

7 (2) If the amount received by any public school district pursuant  
8 to subsection (1) of this section is less than the state allocation  
9 for the program of basic education as provided in RCW 28A.150.200 to  
10 which the district would otherwise be entitled, the superintendent of  
11 public instruction shall apportion to the district, in the manner  
12 provided by RCW 28A.510.250, an amount that is the difference between  
13 the amount received pursuant to subsection (1) of this section and  
14 the state allocation for the program of basic education as provided  
15 in RCW 28A.150.200 to which the district would otherwise be entitled.

16 **PART III**

17 **ADJUSTING PROPERTY TAX EXEMPTIONS SO THEY**

18 **ARE NOT AFFECTED BY THIS ACT**

19 **Sec. 301.** RCW 84.36.381 and 2012 c 10 s 73 are each amended to  
20 read as follows:

21 A person is exempt from any legal obligation to pay all or a  
22 portion of the amount of excess and regular real property taxes due  
23 and payable in the year following the year in which a claim is filed,  
24 and thereafter, in accordance with the following:

25 (1) The property taxes must have been imposed upon a residence  
26 which was occupied by the person claiming the exemption as a  
27 principal place of residence as of the time of filing. However, any  
28 person who sells, transfers, or is displaced from his or her  
29 residence may transfer his or her exemption status to a replacement  
30 residence, but no claimant may receive an exemption on more than one  
31 residence in any year. Moreover, confinement of the person to a  
32 hospital, nursing home, assisted living facility, or adult family  
33 home does not disqualify the claim of exemption if:

34 (a) The residence is temporarily unoccupied;

35 (b) The residence is occupied by a spouse or a domestic partner  
36 and/or a person financially dependent on the claimant for support; or

1 (c) The residence is rented for the purpose of paying nursing  
2 home, hospital, assisted living facility, or adult family home costs;

3 (2) The person claiming the exemption must have owned, at the  
4 time of filing, in fee, as a life estate, or by contract purchase,  
5 the residence on which the property taxes have been imposed or if the  
6 person claiming the exemption lives in a cooperative housing  
7 association, corporation, or partnership, such person must own a  
8 share therein representing the unit or portion of the structure in  
9 which he or she resides. For purposes of this subsection, a residence  
10 owned by a marital community or state registered domestic partnership  
11 or owned by cotenants is deemed to be owned by each spouse or each  
12 domestic partner or each cotenant, and any lease for life is deemed a  
13 life estate;

14 (3)(a) The person claiming the exemption must be:

15 (i) Sixty-one years of age or older on December 31st of the year  
16 in which the exemption claim is filed, or must have been, at the time  
17 of filing, retired from regular gainful employment by reason of  
18 disability; or

19 (ii) A veteran of the armed forces of the United States entitled  
20 to and receiving compensation from the United States department of  
21 veterans affairs at a total disability rating for a service-connected  
22 disability.

23 (b) However, any surviving spouse or surviving domestic partner  
24 of a person who was receiving an exemption at the time of the  
25 person's death will qualify if the surviving spouse or surviving  
26 domestic partner is fifty-seven years of age or older and otherwise  
27 meets the requirements of this section;

28 (4) The amount that the person is exempt from an obligation to  
29 pay is calculated on the basis of combined disposable income, as  
30 defined in RCW 84.36.383. If the person claiming the exemption was  
31 retired for two months or more of the assessment year, the combined  
32 disposable income of such person must be calculated by multiplying  
33 the average monthly combined disposable income of such person during  
34 the months such person was retired by twelve. If the income of the  
35 person claiming exemption is reduced for two or more months of the  
36 assessment year by reason of the death of the person's spouse or the  
37 person's domestic partner, or when other substantial changes occur in  
38 disposable income that are likely to continue for an indefinite  
39 period of time, the combined disposable income of such person must be  
40 calculated by multiplying the average monthly combined disposable

1 income of such person after such occurrences by twelve. If it is  
2 necessary to estimate income to comply with this subsection, the  
3 assessor may require confirming documentation of such income prior to  
4 May 31 of the year following application;

5 (5)(a) A person who otherwise qualifies under this section and  
6 has a combined disposable income of thirty-five thousand dollars or  
7 less is exempt from all excess property taxes and the tax imposed  
8 under RCW 82.52.065(2); and

9 (b)(i) A person who otherwise qualifies under this section and  
10 has a combined disposable income of thirty thousand dollars or less  
11 but greater than twenty-five thousand dollars is exempt from all  
12 regular property taxes on the greater of fifty thousand dollars or  
13 thirty-five percent of the valuation of his or her residence, but not  
14 to exceed seventy thousand dollars of the valuation of his or her  
15 residence; or

16 (ii) A person who otherwise qualifies under this section and has  
17 a combined disposable income of twenty-five thousand dollars or less  
18 is exempt from all regular property taxes on the greater of sixty  
19 thousand dollars or sixty percent of the valuation of his or her  
20 residence;

21 (6)(a) For a person who otherwise qualifies under this section  
22 and has a combined disposable income of thirty-five thousand dollars  
23 or less, the valuation of the residence is the assessed value of the  
24 residence on the later of January 1, 1995, or January 1st of the  
25 assessment year the person first qualifies under this section. If the  
26 person subsequently fails to qualify under this section only for one  
27 year because of high income, this same valuation must be used upon  
28 requalification. If the person fails to qualify for more than one  
29 year in succession because of high income or fails to qualify for any  
30 other reason, the valuation upon requalification is the assessed  
31 value on January 1st of the assessment year in which the person  
32 requalifies. If the person transfers the exemption under this section  
33 to a different residence, the valuation of the different residence is  
34 the assessed value of the different residence on January 1st of the  
35 assessment year in which the person transfers the exemption.

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

39 (c) This subsection does not apply to subsequent improvements to  
40 the property in the year in which the improvements are made.

1 Subsequent improvements to the property must be added to the value  
2 otherwise determined under this subsection at their true and fair  
3 value in the year in which they are made.

4 **Sec. 302.** RCW 84.36.630 and 2014 c 140 s 28 are each amended to  
5 read as follows:

6 (1) All machinery and equipment owned by a farmer that is  
7 personal property is exempt from property taxes levied (~~for any~~) by  
8 the state (~~purpose~~) under RCW 84.52.065(1) if it is used  
9 exclusively in growing and producing agricultural products during the  
10 calendar year for which the claim for exemption is made.

11 (2) "Farmer" and "agricultural product" have the same meaning as  
12 defined in RCW 82.04.213.

13 (3) A claim for exemption under this section must be filed with  
14 the county assessor together with the statement required under RCW  
15 84.40.190, for exemption from taxes payable the following year. The  
16 claim must be made solely upon forms as prescribed and furnished by  
17 the department of revenue.

18 **PART IV**  
19 **MISCELLANEOUS**

20 NEW SECTION. **Sec. 401.** Sections 101, 102, and 104 of this act  
21 apply to taxes levied for collection in 2016 and thereafter.

22 **Sec. 402.** 2013 2nd sp.s. c 4 s 1905 (uncodified) is amended to  
23 read as follows:

24 Section 957 of this act expires (~~August~~) January 1, 2018.

25 NEW SECTION. **Sec. 403.** Section 201 of this act takes effect  
26 September 1, 2016.

27 NEW SECTION. **Sec. 404.** Sections 102 and 104 of this act expire  
28 January 1, 2018.

29 NEW SECTION. **Sec. 405.** Sections 103 and 105 of this act take  
30 effect January 1, 2018.

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