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SENATE BILL 5000

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State of Washington                      61st Legislature                      2009 Regular Session

By Senators Sheldon, Parlette, Swecker, Benton, Holmquist, and Roach

Read first time 01/12/09. Referred to Committee on Ways & Means.

1            AN ACT Relating to property taxes; adding new sections to chapter  
2 84.36 RCW; adding a new section to chapter 84.40 RCW; creating new  
3 sections; 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 act is to provide  
6 property tax relief by setting base years for property tax valuation  
7 computation and limiting property tax valuation increases to one  
8 percent per year over the base year until ownership of the property  
9 changes on owner-occupied property claimed as a principal place of  
10 residence.

11           NEW SECTION.    **Sec. 2.**    A new section is added to chapter 84.36 RCW  
12 to read as follows:

13           The definitions in this section apply throughout this section and  
14 sections 3 and 4 of this act unless the context clearly requires  
15 otherwise.

16           (1) "Base value" means the following, as appropriate:

17           (a) The assessed value for 2009 determined under RCW 84.40.030 of  
18 property acquired in or before 2009;

1 (b) The assessed value determined under RCW 84.40.030 of the  
2 property for the year in which the property is acquired; or

3 (c) The assessed true and fair value as determined under RCW  
4 84.40.030 for all property that has changed or transferred ownership  
5 since the last assessment.

6 (2)(a) "Adjusted value" means the lesser of the following:

7 (i) The assessed true and fair value of property, as determined  
8 under RCW 84.40.030; or

9 (ii) The base value of the property increased on January 1st of  
10 each year thereafter by a maximum of one percent, compounded annually,  
11 plus the portion of the true and fair value attributable to any  
12 construction or alteration not included in the most recent assessment,  
13 other than improvements exempt under RCW 84.36.400 for the assessment  
14 year.

15 (b) This subsection does not apply to special levies or levies  
16 approved under RCW 84.55.050.

17 (3)(a) "Change of ownership" and "transfer of ownership" are  
18 equivalent, and mean a transfer of a present interest in real property,  
19 including a transfer of the beneficial use of real property.

20 (b) "Change of ownership" and "transfer of ownership" include,  
21 except as provided in (c) of this subsection:

22 (i) Contracting to convey the title to or ownership of real  
23 property upon the fulfillment of one or more stated conditions if the  
24 right to possession of the property is transferred currently;

25 (ii) The creation, transfer, or termination of a joint tenancy  
26 interest;

27 (iii) The creation, transfer, or termination of a tenancy-in-common  
28 interest;

29 (iv) The vesting of a right of possession or enjoyment of a  
30 remainder or reversionary interest that occurs upon the termination of  
31 a life estate or other similar precedent property interest;

32 (v) An interest that vests in persons other than the trustor if a  
33 revocable trust becomes irrevocable; and

34 (vi) The transfer of stock of a cooperative housing corporation,  
35 vested with legal title to real property, that conveys to the  
36 transferee the exclusive right to occupancy and possession of the  
37 property or a portion of the property.

38 (c) "Change of ownership" does not include:

1 (i) A transfer between co-owners that results in a change in the  
2 method of holding title to the real property transferred without  
3 changing the proportional interests of the co-owners in the real  
4 property, such as a partition of a tenancy in common;

5 (ii) A transfer for the purpose of merely perfecting title to the  
6 real property;

7 (iii) The creation, assignment, termination, or reconveyance of a  
8 security interest in real property, or the substitution of a trustee  
9 under a security instrument;

10 (iv) A transfer of real property by the trustor, or by the  
11 trustor's spouse, or by both, into a trust for so long as the  
12 transferor is the sole present beneficiary of the trust, or the trust  
13 is revocable, or any transfer of real property by a trustee of such  
14 trust back to the trustor;

15 (v) A transfer of real property by an instrument whose terms  
16 reserve to the transferor an estate for years or an estate for life.  
17 However, the termination of such an estate for years or life estate  
18 shall constitute a change of ownership;

19 (vi) A transfer of real property between or among the same parties  
20 for the purpose of correcting or reforming a deed to express the true  
21 intention of the parties, if the original relationship between the  
22 grantor and grantee is not changed; or

23 (vii) An interspousal transfer of real property, including, but not  
24 limited to:

25 (A) Transfers to a trustee for the beneficial use of a spouse, or  
26 the surviving spouse of a deceased transferor, or by a trustee of the  
27 trust to the spouse of the trustor;

28 (B) Transfers that take effect upon the death of a spouse;

29 (C) Transfers to a spouse or former spouse in connection with a  
30 property settlement agreement or decree of dissolution of marriage or  
31 legal separation; and

32 (D) The creation, transfer, or termination, solely between spouses,  
33 of any co-owner's interest.

34 (4) "Owner-occupied principal place of residence" means a single-  
35 family dwelling unit whether such unit be separate or part of a  
36 multiunit dwelling, including the land on which such dwelling stands.  
37 The term also includes a single-family dwelling situated upon lands the  
38 fee of which is vested in:

1 (a) The United States or any instrumentality thereof, including an  
2 Indian tribe; or

3 (b) The state of Washington; and  
4 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
5 residence is deemed real property. The term "residence" also includes  
6 a mobile home which has substantially lost its identity as a mobile  
7 unit by virtue of its being fixed in location upon land owned or leased  
8 by the owner of the mobile home and placed on a foundation (posts or  
9 blocks) with fixed pipe, connections with sewer, water, or other  
10 utilities.

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.36 RCW  
12 to read as follows:

13 (1) To be eligible for the adjusted valuation:

14 (a) A residence must be occupied by the person claiming the  
15 adjusted valuation under this section as a principal place of residence  
16 in the year in which taxes are due;

17 (b) The claimant must notify the assessor in writing of eligibility  
18 for the adjusted valuation under this section; and

19 (c) The person claiming exemption must have owned, at the time of  
20 filing, the property in fee, as a life estate, or by contract a share  
21 in a cooperative housing association, corporation, or partnership. A  
22 share in the ownership of the property in fee, as a life estate, or by  
23 contract in a cooperative housing association, corporation, or  
24 partnership representing a marital community or owned by cotenants is  
25 deemed to be owned by each spouse or cotenant, and any lease for life  
26 is deemed a life estate.

27 (2) Confinement of the claimant to a hospital or nursing home does  
28 not disqualify the claim of exemption if:

29 (a) The residence is temporarily unoccupied;

30 (b) The residence is occupied by a person who is either or both a  
31 spouse or a person financially dependent on the claimant for support;  
32 or

33 (c) The residence is rented for the specific purpose of paying  
34 nursing home or hospital costs.

35 (3) A person who is displaced from a principal residence by reason  
36 of a natural disaster may transfer a claimed exemption status to a  
37 similar replacement residence.

1 (4) A claimed exemption for adjusted valuation continues annually  
2 until change of ownership of the affected property, or until rescinded  
3 by the claimant.

4 (5) A claimant may not receive more than one adjusted valuation at  
5 any time.

6 NEW SECTION. **Sec. 4.** A new section is added to chapter 84.40 RCW  
7 to read as follows:

8 (1) All property tax assessments on owner-occupied residential  
9 property shall be computed using the adjusted value of a property.

10 (2) The definitions in section 2 of this act apply to this section.

11 NEW SECTION. **Sec. 5.** This act takes effect if the proposed  
12 amendment to Article VII of the state Constitution (Senate Joint  
13 Resolution No. . . . (S-0283/09)), providing property tax relief by  
14 setting base years for property tax valuation computation, limiting  
15 property tax valuation increases to one percent per year over the base  
16 year until ownership of the property changes, and limiting the tax  
17 assessed on owner-occupied property claimed as a principal place of  
18 residence, is validly submitted to and is approved and ratified by the  
19 voters at the next general election. If the proposed amendment is not  
20 approved and ratified, this act is void in its entirety.

21 NEW SECTION. **Sec. 6.** This act applies to taxes payable in 2010  
22 and thereafter.

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