
HOUSE BILL 2149

State of Washington

54th Legislature

1996 Regular Session

By Representatives Sheldon, Johnson, Basich, Appelwick, Hargrove,
Benton and McMahan

Read first time 01/08/96. Referred to Committee on Finance.

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; and creating new
3 sections.

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, limiting property tax valuation increases to two percent
8 per year over the base year until ownership of the property changes,
9 and limiting the tax assessed on owner-occupied property claimed as a
10 principal place of residence.

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

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

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

17 (a) The assessed value for 1992 determined under RCW 84.40.030 of
18 property acquired in or before 1992;

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

36 (1)(a) In addition to the limitations under this title, a specific
37 property tax exemption is created whereby:

1 (i) The tax payable on property used as an owner-occupied principal
2 place of residence may not exceed one-half of one percent of the
3 property's adjusted value, as determined either under section 2 of this
4 act or by applicable law, or both; and

5 (ii) A taxing district may not increase the actual monetary
6 property tax assessed against property used as an owner-occupied
7 principal place of residence by more than an additional one-half of one
8 percent per year.

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

11 (2) The following specific conditions, as appropriate, must be
12 satisfied by an owner-occupant claiming exemption for a principal
13 residence under this section:

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

17 (b) The claimant must notify the assessor in writing of the
18 claimant's request for exemption under this section for a claim of
19 exemption to be considered valid. The exemption shall be effective
20 from the date of filing of a request for the exemption at the
21 assessor's office by the claimant or duly authorized representative;
22 and

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

31 (3) Confinement of the claimant to a hospital or nursing home does
32 not disqualify the claim of exemption if:

33 (a) The residence is temporarily unoccupied;

34 (b) The residence is occupied by a person who is either or both a
35 spouse or a person financially dependent on the claimant for support;
36 or

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

1 (4) A person who is displaced from a principal residence may
2 transfer a claimed exemption status to a similar replacement residence.

3 (5) A claimed exemption shall continue annually until change of
4 ownership of the affected property, or until rescinded by the claimant.

5 (6) A claimant may not receive more than one active owner-occupant
6 exemption at any time. A new claim for such an exemption invalidates
7 any prior such exemption.

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

10 (1) All property tax assessments shall be computed using the
11 adjusted value of a property.

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

13 NEW SECTION. **Sec. 5.** This act applies to taxes payable in 1997
14 and thereafter.

15 NEW SECTION. **Sec. 6.** Funds accumulated due to implementation of
16 chapter 2, Laws of 1994 may be used to offset the effects of
17 implementation of this act.

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