Department of Revenue Washington State

Form 64 0009

Exemption for Physical Improvement to a Single Family Dwelling (RCW 84.36.400)

File with your local county assessor.

Application number: Date:

Property owner:

Mailing address:

City: State: Zip:

Parcel number:

Legal description:

Property address:

City: State: Zip:

Describe improvement:

Estimated cost of improvement: Construction to begin on:

Building permit issued by:

Building permit number: Date permit issued:

I hereby certify that the foregoing information is true and complete to the best of my knowledge and that this exemption has not been allowed on this property for the past five years.

Owner signature:

Agent signature: Date:

County Assessor's use only

Value after construction: Date:

Value prior to construction: Date:

Increase in value: Percent:

Amount of exemption (not to exceed 30% of value prior to construction):

Taxable value of dwelling:

Assessment year exemption to begin: Assessment year to be removed:

Assessor or deputy:

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Improvements to Single Family Dwellings

RCW 84.36.400

WAC 458-16-080

What is the definition of "single family dwelling"?

The term single-family dwelling means a detached dwelling unit where the lot on which the dwelling stands is designed for one family, and not occupied by more than one family. The dwelling unit must meet the definition of real property contained in WAC 458-12-010 and RCW 84.04.090.

What is the definition of "physical improvement"?

The term physical improvement means any addition, improvement, remodeling, renovation, structural correction, or repairs which materially add to the value or condition of an existing dwelling. It also includes the addition of, or repairs to, garages, carports, patios, or other improvements attached to and compatible with similar dwellings. It does not include swimming pools, outbuildings, fences, etc., which are not common to or normally recognized as components of a dwelling unit.

WAC 458-16-080 Exemption - Filing - Amount - Limits

Any physical improvement to an existing single family dwelling on real property may qualify for an exemption for up to three assessment years. This includes constructing an accessory dwelling unit, whether attached, within, or detached, as long as it is on the same real property.

You must file the claim with the county assessor of the county in which the property is located, before completing the improvement. The claim must be on the forms prescribed by the Department of Revenue and supplied by the county assessor.

Once the assessor receives the claim, they will determine the value of the single-family dwelling before the improvement. This valuation is determined by either a new physical appraisal or a statistical update of the current assessed value.

Once you submit written notification to the assessor of the completed improvement, the assessor will revalue the dwelling by doing a physical appraisal. However, the valuation determined before making the improvement, whether by a new physical appraisal or statistical update, and the physical appraisal upon completion of the improvement, must not remove the requirement for a physical appraisal set forth in RCW 36.21.070.

The difference of the two values must be the amount of the exemption and must be deducted from the value of the dwelling after the completion of the improvement or any subsequent value determined according to chapters 84.41 RCW or 84.48 RCW. This is provided that, the amount of the exemption

does not exceed 30% of the value of the dwelling before the improvement. Also, that in no event will the assessed value of the dwelling unit, after deduction of the exemption, be less than it was prior to the improvement.

The cost of the physical improvement must not be construed as being the dominant factor in determining the exemption.

The exemption will be allowed on the property for the three assessment years following completion of the improvement. If at any time the property does not meet the definition contained in WAC 458-16-080(2), the exemption will be canceled.

This exemption will not be allowed on the same dwelling more than once in a five-year period, calculated from the date the exemption first affected the assessment roll.

RCW 84.36.400

Improvements to single-family dwellings.

Any physical improvement to single-family dwellings upon real property, including constructing an accessory dwelling unit, whether attached to or within the single-family dwelling or as a detached unit on the same real property, shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement to the extent that the improvement represents thirty percent or less of the value of the original structure. A taxpayer desiring to obtain the exemption granted by this section must file notice of his or her intention to construct the improvement prior to the improvement being made on forms prescribed by the department of revenue and furnished to the taxpayer by the county assessor: PROVIDED, That this exemption cannot be claimed more than once in a five-year period.

The department of revenue shall promulgate such rules and regulations as are necessary and convenient to properly administer the provisions of this section.

WAC 458-16-080

Improvements to single family dwellings—Definitions—Exemption—Limitation—Appeal rights.

(1) **Introduction.** This rule explains the property tax exemption available to taxpayers when they make physical improvements to their single family dwelling under the provisions of RCW **84.36.400**. It explains the process by which this exemption is obtained and how the amount of the exemption is calculated.

(2) **Definitions.** For purposes of this rule, the following definitions apply:

(a) "Department" means the department of revenue.

(b) "Single family dwelling" or "dwelling" means a structure maintained and used as a residential dwelling that is designed exclusively for occupancy by one family.

(i) It is an independent and free-standing structure containing one dwelling unit and having a permanent foundation.

(ii) For the purposes of this exemption, a manufactured home, mobile home, or park model trailer will be considered a "single family dwelling" if it has substantially lost its identity as a mobile unit by virtue of its being permanently fixed in location upon land owned or leased by the owner of the manufactured home, mobile home, or park model trailer and placed on a foundation (posts or blocks) with fixed pipe connections with sewer, water, or other utilities.

(c) "Physical improvement" means any addition, improvement, remodel, renovation, or structural enhancement that materially adds to the value of an existing single family dwelling. It is an actual, material, and permanent change that increases the value of the dwelling.

(i) The term includes the addition of a garage, carport, patio, or other improvement to the dwelling that materially adds to its value.

(ii) The term does not include a swimming pool, outbuilding, fence, landscaping, barn, shed, shop, or other item that enhances the land upon which the dwelling stands, but is not common to or normally recognized as a structural component of a single family dwelling.

(iii) The term does not include repairs to or deferred maintenance of a dwelling.

(d) "Physical inspection" means, at a minimum, an exterior observation of the dwelling to determine what physical improvements have been made and whether they increase its true and fair value.

(e) "Real property" has the same meaning as contained in RCW **84.04.090** and chapter **458-12** WAC; these definitions should be consulted as a matter of course in interpreting and administering this exemption.

(f) "Repairs" means work that preserves the dwelling or returns it to its original condition or use.

(g) "Taxpayer" means any person charged, or whose property is charged, with property tax for the dwelling.

(3) **Exemption - Taxpayer's obligations.** Physical improvements to a single family dwelling upon real property are exempt from property tax for three assessment years after the improvements are completed. The amount of the exemption is the difference between the true and fair value of the dwelling before and after the physical improvement. However, the amount of the exemption cannot exceed thirty percent of the true and fair value of the dwelling prior to the improvements.

(a) The following conditions must be met to receive this exemption:

(i) The dwelling must be a "single family dwelling" as defined in subsection (2) of this rule;

(ii) The taxpayer must file a claim for the exemption with the assessor of the county in which the real property is located before the improvements are completed. All claims must be made on forms prescribed by the department and signed by the taxpayer or the taxpayer's authorized agent. Claim forms may be obtained from the assessor's office or the department; and

(iii) The taxpayer may not claim this exemption more than once in a five-year period on the same dwelling. The five-year period begins the first assessment year the exemption appears on the county's assessment roll.

(b) When the improvements are completed, the taxpayer must submit a written notice of completion to the assessor.

(c) The following examples show how eligibility requirements for this exemption will be applied. These examples should be used only as a general guide and cannot be relied upon for any other purpose.

(i) Example 1. The addition of a garage or carport to a single family dwelling may qualify for exemption because it may increase the value of and is compatible with the existing residential dwelling. Conversely, the construction of a swimming pool, shed, barn, or shop, which are not commonly attached to a dwelling, does not qualify for the exemption; even though the construction of such a structure may increase the value of the parcel as a whole.

(ii) Example 2. The replacement of a composition roof with a tile roof on a dwelling may qualify for exemption because a tile roof may increase the value of the dwelling. If the composition roof is repaired or replaced with the same type of composition roofing materials, the repair or replaced roof will not qualify for the exemption.

(4) **Assessor's duties.** Upon receipt of a taxpayer's claim for exemption, the assessor will determine the true and fair value of the unimproved dwelling. This value may be determined by means of a physical inspection and appraisal or a statistical update of the value shown on the county's current assessment roll. After receiving a notice of completion from the taxpayer, the assessor will revalue the improved dwelling by means of a physical inspection to determine the amount of the exemption.

(5) **Amount of exemption.** The amount of the exemption is the difference between the dwelling's true and fair value before and after improvements, but this amount cannot exceed thirty percent of the true and fair value of the original unimproved dwelling. In other words, the amount of the exemption is determined by subtracting the true and fair value of the unimproved dwelling from the true and fair value of the dwelling including improvements. The cost of the physical improvements is not the basis for the exemption granted under RCW **84.36.400** and, as a result, the exemption granted is not normally equivalent to the costs incurred by the taxpayer.

(a) The amount of the exemption will be deducted from the assessed value of the improved dwelling for the three assessment years immediately following completion of the improvement.

(b) The dwelling must at all times be a "single family dwelling" as defined in subsection (2) of this rule. If the assessor determines the dwelling does not meet this definition, the exemption will be denied or canceled.

(c) When an exemption has been granted and placed on the assessment roll, the exemption will continue for the three-year exemption period even if the single family dwelling is sold. The exemption pertains to the dwelling and is not personal to the individual property owner.

(d) Example 3. The following example should be used only as a general guide and cannot be relied upon for any other purpose. In 1998, Taxpayer A completed the addition of a family room and the renovation of the kitchen. These improvements cost the taxpayer $60,000. (As the following example will show, the cost of improvements is not the basis of the amount of the exemption.)

True & fair value of dwelling prior to improvements. . . .	$150,000
True & fair value of improved dwelling. . . .	$200,000
Difference (value of physical improvements). . . .	$50,000
Amount of exemption. . . .	$45,000

The difference between the value of the improved dwelling and the value of the unimproved dwelling ($50,000) or 30% of the unimproved dwelling ($150,000 x 30% = $45,000), whichever is less.

The assessed value of the improved dwelling will be reduced by $45,000 for the next three assessment years (1999, 2000, and 2001).

(6) **Limitation.** This exemption may not be claimed on the same dwelling more than once in a five-year period. This five-year period begins the first year the exemption appears on the county's assessment roll. (In the example above, the taxpayer may not file another claim for an exemption on this dwelling under RCW **84.36.400** until 2003.)

(7) **Relationship to revaluation cycle.** Chapter **84.41** RCW requires each county to establish and maintain a systematic program to revalue all taxable real property within the county on an annual basis.

When an exemption has been granted under RCW **84.36.400**, the dwelling is revalued during the three assessment years the exemption is in effect, but the amount of the exemption will remain unchanged.

(8) **Exemption in relationship to destroyed property.** If the value of a dwelling has been reduced under the provisions of chapter **84.70** RCW because it was destroyed, the dwelling is ineligible to receive the exemption authorized by RCW **84.36.400**.

(9) **Right to appeal.** A taxpayer who applies for an exemption under RCW **84.36.400** may file an appeal with the county board of equalization under the following circumstances:

(a) The application for exemption is denied;

(b) The exemption is removed prior to the expiration of the three-year exemption period; or

(c) The taxpayer disputes the amount of the exemption granted