DRAFT ONLY
NOT APPROVED FOR INTRODUCTION

SENATE FILE NO.

Property tax-fair market value on transfer.

Sponsored by: Joint Revenue Interim Committee

A BILL

for

AN ACT relating to ad valorem taxation; establishing the value of residential real property for purposes of taxation; providing definitions; making conforming amendments; requiring rulemaking; and providing for effective dates.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. W.S. 39-11-101(a)(vi) and (xvii)(C) and 39-13-103(b)(iii)(intro) and (C) and by creating a new paragraph (xviii) are amended to read:

39-11-101. Definitions.

(a) As used in this act unless otherwise specifically provided:

(vi) "Fair market value" means the amount in cash, or terms reasonably equivalent to cash, a well informed buyer is justified in paying for a property and a well informed seller is justified in accepting, assuming neither party to the transaction is acting under undue compulsion, and assuming the property has been offered in the open market for a reasonable time, except, fair market value of agricultural land shall be determined as provided by W.S. 39-13-103(b)(x), fair market value of residential real property shall be determined as provided in W.S. 39-13-103(b)(xviii) and fair market value of mine products shall be determined as provided by W.S. 39-14-103(b), 39-14-203(b), 39-14-303(b), 39-14-403(b), 39-14-503(b), 39-14-603(b) and 39-14-703(b);

(xvii) "Taxable value" means a percent of the fair market value of property in a particular class as follows:

(C) All other property, real and personal, including property valued and assessed under W.S. 39-13-102(m)(vi) and (ix), nine and one-half percent (9.5%), provided that the value of residential real property shall be determined as provided in W.S. 39-13-103(b)(xviii).

39-13-103. Imposition.

(b) Basis of tax. The following shall apply:

(iii) ~~Beginning January 1, 1989,~~ "Taxable value" means a percent of the fair market value of property in a particular class as follows:

(C) All other property, real and personal, nine and one-half percent (9.5%), provided that the value of residential real property shall be determined as provided in paragraph (xviii) of this subsection.

(xviii) The following shall apply to the valuation of residential real property, as made subject to taxation in subparagraph (iii)(C) of this subsection:

(A) Beginning January 1, 2027, the fair market value of residential real property shall be determined as follows:

(I) For any residential real property that was last acquired on or before December 31, 2019, the base year value for the residential real property shall be equal to the fair market value of the property on January 1, 2019;

(II) For any residential real property that was last acquired on or after January 1, 2020, the base year value for the residential real property shall be equal to the fair market value of the property on January 1 of the year the property was last acquired.

(B) The base year value determined under subparagraph (A) of this paragraph shall be annually adjusted to determine the taxable value for that tax year as follows:

(I) The base year value shall be adjusted by an inflation factor that compounds annually each year beginning in the first year after the base year value is determined under subparagraph (A) of this paragraph. The inflation factor shall be the lesser of two percent (2%) or the rate of the consumer price index or its successor index of the United States department of labor, bureau of labor statistics, for the applicable year;

(II) The base year value shall be adjusted as necessary to account for increases in the value of the residential real property caused by new construction or significant additions to the property. The value of the new construction or significant additions shall be added to the base year value of the residential real property. The value of the new construction or significant additions shall be determined by the construction costs. Actual costs may be submitted to determine construction costs. If actual costs are not submitted or if the construction costs do not represent fair market value because a party to the transaction was acting under undue influence or the terms of the transaction were not negotiated at arms-length, the construction costs shall be determined based on average construction costs in the state for the applicable tax year for a comparable construction or addition.

(C) The amount determined pursuant to subparagraphs (A) and (B) of this paragraph shall be the taxable value of the residential real property until ownership of the property is transferred to a new person. Each time residential real property is transferred to a new person, the property shall be valued as provided in subparagraph (A) of this paragraph to determine the new base year value of the property. The new base year value of the property shall be subject to adjustment as provided in subparagraph (B) of this paragraph;

(D) The department shall adopt rules necessary to implement this paragraph. The rules shall include rules specifying how significant additions to residential real property and the associated construction cost are determined and reported;

(E) As used in this paragraph:

<u>(I) "Residential real property" means real property improved by a dwelling designed to house not more than four (4) families and includes any detached garage owned by the owner of the dwelling and any associated residential land up to thirty-five (35) acres where the dwelling is located if the land is owned by the owner of the dwelling. The dwelling may include any type of residence including a single family home, an individual condominium unit, a mobile home or a trailer if the dwelling is used as a primary residence;</u>

<u>(II) "Significant addition" means any construction of residential real property that adds habitable square feet to the residential real property and includes construction where all or a portion of the dwelling is demolished and reconstructed. "Significant addition" shall not include finishing an unfinished portion of the existing dwelling;</u>

<u>(III) "Transfer" or "acquisition" of residential real property does not include:</u>

(1) A transfer of property between spouses or between a parent and the parent's child;

(2) A transfer of property pursuant to a court order including to effectuate a settlement agreement or in compliance with a decree of divorce or judicial separation;

(3) A transfer of property to a trust established for the benefit of the immediately preceding owner;

(4) A transfer of property to a corporation, partnership or limited liability company if the immediately preceding owner of the property is a shareholder or owner of the corporation, partnership or limited liability company;

(5) A donation of residential real property to a religious or charitable organization, including a nonprofit organization;

(6) Any other transfer of property that the department determines by rule should not be an acquisition of property due to the relationship of the parties or other factors.

Section 2. The state board of equalization and the department of revenue shall promulgate all rules necessary to implement this act not later than January 1, 2027.

Section 3. This act shall be effective only upon certification by the secretary of state that the electors have adopted the amendment to the Wyoming constitution at the 2026 general election provided in 2026 House Joint Resolution 00XX.

Section 4.

(a) Except as otherwise provided in subsection (b) of this section, this act is effective immediately upon completion of all acts necessary for a bill to become law as provided by Article 4, Section 8 of the Wyoming Constitution.

(b) Subject to section 3 of this act, section 1 of this act is effective January 1, 2027.

(END)