**DRAFT ONLY
NOT APPROVED FOR
INTRODUCTION**

HOUSE BILL NO.

Residential real property-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), (xvii)(C), 39-13-103(b)(iii)(intro), (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)<u>, fair market value of residential real property shall be determined as provided in W.S. 39-13-103(b)(xviii)</u> 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 fair market 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 fair market 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, 2029, 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 between January 1, 2020 and December 31, 2028, 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;

(III) For any residential real property that is acquired on or after January 1, 2029, there shall be a rebuttable presumption that the price paid to acquire the property is the fair market value of the property. The fair market value determined under this subdivision shall be used as the base year value for the property, except as provided in subdivision (IV) of this subparagraph;

(IV) Notwithstanding subdivision (III) of this subparagraph, for any residential real property that is acquired on or after January 1, 2029, the fair market value of the property on January 1 of the year the property was acquired shall be used as the base year value of the property if:

(1) The presumption under subdivision (III) of this subparagraph is rebutted by a preponderance of the evidence showing that the price paid to acquire the property was not at fair market value; or

(2) The owner of the residential real property does not submit information that is sufficient to enable the assessor to establish the price

paid to acquire the property under subdivision (III) of this subparagraph.

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

(I) The base year value shall be adjusted to account for inflation as provided in this subdivision. The department of revenue in coordination with the economic analysis division of the department of administration and information shall create an index that reviews residential real property values across the state in comparison to the prior year and determines if residential property values are increasing or decreasing. If residential real property values are decreasing under the index, the value of the property from the prior year shall be reduced at the same rate determined by the index. If residential real property values are increasing under the index, the value of the property shall be adjusted by an inflation factor that is 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 submitted construction costs are shown by a preponderance of the evidence to not represent fair market value, 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 base year value as determined pursuant to subparagraph (A) of this paragraph and as adjusted pursuant to subparagraph (B) of this paragraph shall be the fair market 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:

(I) Rules regarding the documentation and procedures required to establish the price paid to acquire property under this paragraph;

(II) Rules specifying how construction costs are determined and reported;

(III) Rules specifying how significant additions to residential real property are determined and reported.

(E) As used in this paragraph:

(I) "Price paid to acquire the property" means the actual full amount paid or to be paid to acquire residential real property;

(II) "Residential real property" means real property improved by a dwelling designed to house not more than three (3) families and includes associated residential land 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 or an individual condominium unit if the dwelling is used as a primary residence;

(III) "Significant addition" means any construction 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;

(IV) "Transfer" or "acquisition" of residential real property does not include:

(1) A transfer of property between spouses or between a parent and the parent's child. Transfers to heirs by will or intestate succession shall not constitute a transfer under this subdivision, however subsequent sales or transfers of residential real property that are not otherwise excluded as a transfer under this subdivision shall constitute a transfer of residential real property;

(2) A transfer of property pursuant to a court order 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 business entity if the immediately preceding owner of the property is a shareholder or owner of the business entity,

provided that a change in more than fifty percent (50%) of the ownership interest of the business entity within one (1) year shall constitute a transfer of residential real property;

(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, 2029.

Section 3. Section 1 of this act shall be effective only upon certification by the secretary of state to the governor, the president of the senate and the speaker of the house that the electors have adopted the amendment to the Wyoming constitution as provided in 2027 House Joint Resolution 00XX at the 2028 general election.

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 the requirements of section 3 of this act, section 1 of this act is effective January 1, 2029.

(END)