
SENATE BILL 5531

State of Washington 56th Legislature 1999 Regular Session

By Senators Loveland and Winsley; by request of Department of Revenue

Read first time 01/26/1999. Referred to Committee on Ways & Means.

1 AN ACT Relating to updating the tax code by making administrative
2 clarifications, correcting oversights, and deleting obsolete
3 references; amending RCW 82.04.3651, 82.08.02567, 82.08.0266,
4 82.08.02665, 82.04.355, 82.12.020, 82.12.02567, 82.12.0282, 82.16.047,
5 82.32.060, 82.32.070, 82.35.080, 84.36.041, 84.36.350, and 84.36.383;
6 reenacting and amending RCW 82.04.270; reenacting RCW 82.04.270; adding
7 a new section to chapter 82.12 RCW; repealing RCW 84.36.353 and
8 84.36.485; providing effective dates; and declaring an emergency.

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

10 **Sec. 1.** RCW 82.04.270 and 1998 c 312 s 6 and 1998 c 329 s 1 are
11 each reenacted to read as follows:

12 Upon every person except persons taxable under RCW 82.04.260(5) or
13 82.04.332 engaging within this state in the business of making sales at
14 wholesale; as to such persons the amount of tax with respect to such
15 business shall be equal to the gross proceeds of sales of such business
16 multiplied by the rate of 0.484 percent.

1 **Sec. 2.** RCW 82.04.270 and 1998 c 343 s 2 and 1999 c . . . s 1
2 (section 1 of this act) are each reenacted and amended to read as
3 follows:

4 Upon every person except persons taxable under RCW 82.04.260(5)
5 (~~(or)~~) 82.04.272, or 82.04.332 engaging within this state in the
6 business of making sales at wholesale; as to such persons the amount of
7 tax with respect to such business shall be equal to the gross proceeds
8 of sales of such business multiplied by the rate of 0.484 percent.

9 **Sec. 3.** RCW 82.04.3651 and 1998 c 336 s 2 are each amended to read
10 as follows:

11 (1) This chapter does not apply to amounts received by nonprofit
12 organizations, as defined in subsection (2) of this section, for fund-
13 raising activities.

14 (2) As used in this section, a "nonprofit organization" means:

15 (a) An organization exempt from tax under section 501(c) (3), (4),
16 or (10) of the federal internal revenue code (26 U.S.C. Sec. 501(c)
17 (3), (4), or (10));

18 (b) A nonprofit organization that would qualify under (a) of this
19 subsection except that it is not organized as a nonprofit corporation;
20 or

21 (c) A nonprofit organization that (~~means [meets]~~) meets all of
22 the following criteria:

23 (i) The members, stockholders, officers, directors, or trustees of
24 the organization do not receive any part of the organization's gross
25 income, except as payment for services rendered;

26 (ii) The compensation received by any person for services rendered
27 to the organization does not exceed an amount reasonable under the
28 circumstances; and

29 (iii) The activities of the organization do not include a
30 substantial amount of political activity, including but not limited to
31 influencing legislation and participation in any campaign on behalf of
32 any candidate for political office.

33 (3) As used in this section, the term "fund-raising activity" means
34 (~~both activities involving the direct solicitation~~) either accepting
35 contributions of money or other property (~~and~~) or activities
36 involving the anticipated exchange of goods or services for money
37 between the soliciting organization and the organization or person
38 solicited, for the purpose of furthering the goals of the nonprofit

1 organization. "Fund-raising activity" does not include the operation
2 of a regular place of business in which sales are made during regular
3 hours such as a bookstore, thrift shop, restaurant, or similar business
4 or the operation of a regular place of business from which services are
5 provided or performed during regular hours such as the provision of
6 retail, personal, or professional services.

7 **Sec. 4.** RCW 82.08.02567 and 1998 c 309 s 1 are each amended to
8 read as follows:

9 (1) The tax levied by RCW 82.08.020 shall not apply to sales of
10 machinery and equipment used directly in generating electricity using
11 wind, sun, or landfill gas as the principal source of power, or to
12 sales of or charges made for labor and services rendered in respect to
13 installing such machinery and equipment, but only if the purchaser
14 develops with such machinery, equipment, and labor a facility capable
15 of generating not less than two hundred kilowatts of electricity and
16 provides the seller with an exemption certificate in a form and manner
17 prescribed by the department by rule(~~(, and the purchaser provides the~~
18 ~~department with a duplicate of the certificate or a summary of exempt~~
19 ~~sales as the department may require)). The seller shall retain a copy~~
20 of the certificate for the seller's files.

21 (2) For purposes of this section and RCW 82.12.02567:

22 (a) "Landfill gas" means biomass fuel of the type qualified for
23 federal tax credits under 26 U.S.C. Sec. 29 collected from a landfill.
24 "Landfill" means a landfill as defined under RCW 70.95.030;

25 (b) "Machinery and equipment" means industrial fixtures, devices,
26 and support facilities that are integral and necessary to the
27 generation of electricity using wind, sun, or landfill gas as the
28 principal source of power;

29 (c) "Machinery and equipment" does not include: (i) Hand-powered
30 tools; (ii) property with a useful life of less than one year; (iii)
31 repair parts required to restore machinery and equipment to normal
32 working order; (iv) replacement parts that do not increase
33 productivity, improve efficiency, or extend the useful life of
34 machinery and equipment; (v) buildings; or (vi) building fixtures that
35 are not integral and necessary to the generation of electricity that
36 are permanently affixed to and become a physical part of a building;

37 (d) Machinery and equipment is "used directly" in generating
38 electricity by wind energy, solar, or landfill gas power if it provides

1 any part of the process that captures the energy of the wind, sun, or
2 landfill gas, converts that energy to electricity, and transforms or
3 transmits that electricity for entry into electric transmission and
4 distribution systems.

5 (3) This section expires June 30, 2005.

6 **Sec. 5.** RCW 82.08.0266 and 1980 c 37 s 33 are each amended to read
7 as follows:

8 The tax levied by RCW 82.08.020 shall not apply to sales to
9 nonresidents of this state for use outside of this state of watercraft
10 requiring coast guard registration or registration by the state of
11 principal use according to the Federal Boating Act of 1958, even though
12 delivery be made within this state, but only when (1) the watercraft
13 will not be used within this state for more than forty-five days and
14 (2) an appropriate exemption certificate supported by identification
15 ascertaining residence as ~~((provided))~~ required by the department of
16 revenue and signed by the purchaser or his agent establishing the fact
17 that the purchaser is a nonresident and that the watercraft is for use
18 outside of this state, ~~((one))~~ a copy ~~((to be filed with the department~~
19 ~~of revenue with the regular report and a duplicate to be))~~ of which
20 shall be retained by the dealer.

21 **Sec. 6.** RCW 82.08.02665 and 1993 c 119 s 1 are each amended to
22 read as follows:

23 The tax levied by RCW 82.08.020 does not apply to sales of vessels
24 to residents of foreign countries for use outside of this state, even
25 though delivery is made within this state, but only if (1) the vessel
26 will not be used within this state for more than forty-five days and
27 (2) an appropriate exemption certificate supported by identification as
28 ~~((provided))~~ required by ~~((and filed with))~~ the department of revenue
29 and signed by the purchaser or the purchaser's agent establishes the
30 fact that the purchaser is a resident of a foreign country and that the
31 vessel is for use outside of this state. ~~((One))~~ A copy of the
32 exemption certificate ~~((is to be filed with the department of revenue~~
33 ~~and a duplicate))~~ is to be retained by the dealer.

34 As used in this section, "vessel" means every watercraft used or
35 capable of being used as a means of transportation on the water, other
36 than a seaplane.

1 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.12 RCW
2 to read as follows:

3 The provisions of this chapter shall not apply in respect to the
4 use of amusement and recreation services by a nonprofit youth
5 organization, as defined in RCW 82.04.4271, to members of the
6 organization.

7 **Sec. 8.** RCW 82.04.355 and 1979 c 111 s 17 are each amended to read
8 as follows:

9 This chapter does not apply to any funds received in the course of
10 commuter ride sharing or ride sharing for ~~((the elderly and the~~
11 ~~handicapped))~~ persons with special transportation needs in accordance
12 with RCW 46.74.010.

13 **Sec. 9.** RCW 82.12.020 and 1998 c 332 s 7 are each amended to read
14 as follows:

15 (1) There is hereby levied and there shall be collected from every
16 person in this state a tax or excise for the privilege of using within
17 this state as a consumer: (a) Any article of tangible personal
18 property purchased at retail, or acquired by lease, gift, repossession,
19 or bailment, or extracted or produced or manufactured by the person so
20 using the same, or otherwise furnished to a person engaged in any
21 business taxable under RCW 82.04.280 (2) or (7); or (b) any canned
22 software, regardless of the method of delivery, but excluding canned
23 software that is either provided free of charge or is provided for
24 temporary use in viewing information, or both ~~((; or (c) any amusement~~
25 ~~or recreation service defined as a retail sale in RCW~~
26 ~~82.04.050(3)(a))~~).

27 (2) This tax shall apply to the use of every service defined as a
28 retail sale in RCW 82.04.050(3)(a) and the use of every article of
29 tangible personal property, including property acquired at a casual or
30 isolated sale, and including byproducts used by the manufacturer
31 thereof, except as hereinafter provided, irrespective of whether the
32 article or similar articles are manufactured or are available for
33 purchase within this state.

34 (3) Except as provided in RCW 82.12.0252, payment by one purchaser
35 or user of tangible personal property or service of the tax imposed by
36 chapter 82.08 or 82.12 RCW shall not have the effect of exempting any

1 other purchaser or user of the same property or service from the taxes
2 imposed by such chapters.

3 (4) The tax shall be levied and collected in an amount equal to the
4 value of the article used by the taxpayer multiplied by the rate in
5 effect for the retail sales tax under RCW 82.08.020.

6 **Sec. 10.** RCW 82.12.02567 and 1998 c 309 s 2 are each amended to
7 read as follows:

8 (1) The provisions of this chapter shall not apply with respect to
9 machinery and equipment used directly in generating not less than two
10 hundred kilowatts of electricity using wind, sun, or landfill gas as
11 the principal source of power(~~(, but only when the user provides the~~
12 ~~department with:~~

13 ~~(a) An exemption certificate in a form and manner prescribed by the~~
14 ~~department within sixty days of the first use of such machinery and~~
15 ~~equipment in this state; or~~

16 ~~(b) An annual summary listing the machinery and equipment by~~
17 ~~January 31st of the year following the calendar year in which the~~
18 ~~machinery and equipment is first used in this state)).~~

19 (2) The definitions in RCW 82.08.02567 apply to this section.

20 (3) This section expires June 30, 2005.

21 **Sec. 11.** RCW 82.12.0282 and 1996 c 88 s 4 are each amended to read
22 as follows:

23 The tax imposed by this chapter shall not apply with respect to the
24 use of passenger motor vehicles used as ride-sharing vehicles(~~(, as~~
25 ~~defined in RCW 46.74.010(3),~~) by not less than five persons, including
26 the driver, with a gross vehicle weight not to exceed 10,000 pounds
27 where the primary usage is for commuter ride-sharing, as defined in RCW
28 46.74.010(~~((1))~~), by not less than four persons including the driver
29 when at least two of those persons are confined to wheelchairs when
30 riding, or passenger motor vehicles where the primary usage is for
31 ride-sharing for (~~(the elderly and the handicapped))~~ persons with
32 special transportation needs, as defined in RCW 46.74.010(~~((2))~~), if
33 the vehicles are exempt under RCW 82.44.015 for thirty-six consecutive
34 months beginning within thirty days of application for exemption under
35 this section. If used as a ride-sharing vehicle for less than thirty-
36 six consecutive months, the registered owner of one of these vehicles
37 shall notify the department of revenue upon termination of primary use

1 of the vehicle as a ride-sharing vehicle and is liable for the tax
2 imposed by this chapter.

3 To qualify for the tax exemption, those passenger motor vehicles
4 with five or six passengers, including the driver, used for commuter
5 ride-sharing, must be operated either within the state's eight largest
6 counties that are required to develop commute trip reduction plans as
7 directed by chapter 70.94 RCW or in other counties, or cities and towns
8 within those counties, that elect to adopt and implement a commute trip
9 reduction plan. Additionally at least one of the following conditions
10 must apply: (1) The vehicle must be operated by a public
11 transportation agency for the general public; or (2) the vehicle must
12 be used by a major employer, as defined in RCW 70.94.524 as an element
13 of its commute trip reduction program for their employees; or (3) the
14 vehicle must be owned and operated by individual employees and must be
15 registered either with the employer as part of its commute trip
16 reduction program or with a public transportation agency serving the
17 area where the employees live or work. Individual employee owned and
18 operated motor vehicles will require certification that the vehicle is
19 registered with a major employer or a public transportation agency.
20 Major employers who own and operate motor vehicles for their employees
21 must certify that the commuter ride-sharing arrangement conforms to a
22 carpool/vanpool element contained within their commute trip reduction
23 program.

24 **Sec. 12.** RCW 82.16.047 and 1979 c 111 s 18 are each amended to
25 read as follows:

26 This chapter does not apply to any funds received in the course of
27 commuter ride sharing or ride sharing for ~~((the elderly and the
28 handicapped in accordance with RCW 46.74.010))~~ persons with special
29 transportation needs in accordance with RCW 46.74.010.

30 **Sec. 13.** RCW 82.32.060 and 1997 c 157 s 2 are each amended to read
31 as follows:

32 (1) If, upon receipt of an application by a taxpayer for a refund
33 or for an audit of the taxpayer's records, or upon an examination of
34 the returns or records of any taxpayer, it is determined by the
35 department that within the statutory period for assessment of taxes,
36 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
37 penalty, or interest has been paid in excess of that properly due, the

1 excess amount paid within, or attributable to, such period shall be
2 credited to the taxpayer's account or shall be refunded to the
3 taxpayer, at the taxpayer's option. Except as provided in subsections
4 (2) and (3) of this section, no refund or credit shall be made for
5 taxes, penalties, or interest paid more than four years prior to the
6 beginning of the calendar year in which the refund application is made
7 or examination of records is completed.

8 (2) The execution of a written waiver under RCW 82.32.050 or
9 82.32.100 shall extend the time for making a refund or credit of any
10 taxes paid during, or attributable to, the years covered by the waiver
11 if, prior to the expiration of the waiver period, an application for
12 refund of such taxes is made by the taxpayer or the department
13 discovers a refund or credit is due.

14 (3) Notwithstanding the foregoing limitations there shall be
15 refunded or credited to taxpayers engaged in the performance of United
16 States government contracts or subcontracts the amount of any tax paid,
17 measured by that portion of the amounts received from the United
18 States, which the taxpayer is required by contract or applicable
19 federal statute to refund or credit to the United States, if claim for
20 such refund is filed by the taxpayer with the department within one
21 year of the date that the amount of the refund or credit due to the
22 United States is finally determined and filed within four years of the
23 date on which the tax was paid: PROVIDED, That no interest shall be
24 allowed on such refund.

25 (4) Any such refunds shall be made by means of vouchers approved by
26 the department and by the issuance of state warrants drawn upon and
27 payable from such funds as the legislature may provide. However,
28 taxpayers who are required to pay taxes by electronic funds transfer
29 under RCW 82.32.080 shall have any refunds paid by electronic funds
30 transfer.

31 (5) Any judgment for which a recovery is granted by any court of
32 competent jurisdiction, not appealed from, for tax, penalties, and
33 interest which were paid by the taxpayer, and costs, in a suit by any
34 taxpayer shall be paid in the same manner, as provided in subsection
35 (4) of this section, upon the filing with the department of a certified
36 copy of the order or judgment of the court.

37 (a) Interest at the rate of three percent per annum shall be
38 allowed by the department and by any court on the amount of any refund,
39 credit, or other recovery allowed to a taxpayer for taxes, penalties,

1 or interest paid by the taxpayer before January 1, 1992. This rate of
2 interest shall apply for all interest allowed through December 31,
3 1998. Interest allowed after December 31, 1998, shall be computed at
4 the rate as computed under RCW 82.32.050(2). The rate so computed
5 shall be adjusted on the first day of January of each year for use in
6 computing interest for that calendar year.

7 (b) For refunds or credits of amounts paid or other recovery
8 allowed to a taxpayer after December 31, 1991, the rate of interest
9 shall be the rate as computed for assessments under RCW 82.32.050(2)
10 less one percent. This rate of interest shall apply for all interest
11 allowed through December 31, 1998. Interest allowed after December 31,
12 1998, shall be computed at the rate as computed under RCW 82.32.050(2).
13 The rate so computed shall be adjusted on the first day of January of
14 each year for use in computing interest for that calendar year.

15 **Sec. 14.** RCW 82.32.070 and 1997 c 54 s 4 are each amended to read
16 as follows:

17 (1)(~~(a)~~) Every person liable for any fee or tax imposed by
18 chapters 82.04 through 82.27 RCW shall keep and preserve, for a period
19 of five years, suitable records as may be necessary to determine the
20 amount of any tax for which he may be liable, which records shall
21 include copies of all federal income tax and state tax returns and
22 reports made by him. All his books, records, and invoices shall be
23 open for examination at any time by the department of revenue. In the
24 case of an out-of-state person or concern which does not keep the
25 necessary books and records within this state, it shall be sufficient
26 if it produces within the state such books and records as shall be
27 required by the department of revenue, or permits the examination by an
28 agent authorized or designated by the department of revenue at the
29 place where such books and records are kept. Any person who fails to
30 comply with the requirements of this section shall be forever barred
31 from questioning, in any court action or proceedings, the correctness
32 of any assessment of taxes made by the department of revenue based upon
33 any period for which such books, records, and invoices have not been so
34 kept and preserved.

35 (~~(b)~~) (2) A person liable for any fee or tax imposed by chapters
36 82.04 through 82.27 RCW who contracts with another person or entity for
37 work subject to chapter 18.27 or 19.28 RCW shall obtain and preserve a
38 record of the unified business identifier account number for the person

1 or entity performing the work. Failure to obtain or maintain the
2 record is subject to RCW 39.06.010 and to a penalty determined by the
3 director, but not to exceed two hundred fifty dollars. The department
4 shall notify the taxpayer and collect the penalty in the same manner as
5 penalties under RCW 82.32.100.

6 ~~((2) Any person claiming a credit against the tax imposed by
7 chapter 82.04 RCW by reason of the provisions of RCW 82.04.435 shall
8 keep and preserve until the claim has been verified or allowed by the
9 department of revenue sufficient books, records and invoices to prove
10 the right to and amount of such claim for credit, and no such claim
11 shall be allowed by the department of revenue unless such books,
12 records and invoices have been kept and preserved.))~~

13 **Sec. 15.** RCW 82.35.080 and 1996 c 186 s 522 are each amended to
14 read as follows:

15 (1) Except as provided in subsection (2) of this section, the
16 department shall revoke any certificate issued under this chapter if it
17 finds that any of the following have occurred with respect to the
18 certificate:

19 (a) The certificate was obtained by fraud or deliberate
20 misrepresentation;

21 (b) The certificate was obtained through the use of inaccurate data
22 but without any intention to commit fraud or misrepresentation;

23 (c) The facility was constructed or operated in violation of any
24 provision of this chapter or provision imposed by the department as a
25 condition of certification; or

26 (d) The cogeneration facility is no longer capable of being
27 operated for the primary purpose of cogeneration.

28 (2) If the department finds that there are few inaccuracies under
29 subsection (1)(b) of this section and that cumulatively they are
30 insignificant in terms of the cost or operation of the facility or that
31 the inaccurate data is not attributable to carelessness or negligence
32 and its inclusion was reasonable under the circumstances, then the
33 department may provide for the continuance of the certificate and
34 whatever modification it considers in the public interest.

35 (3) Any person, firm, corporation, or organization that obtains a
36 certificate revoked under this section shall be liable for the total
37 amount of money saved by claiming the credits and exemptions provided
38 under this chapter ~~((and RCW 84.36.485))~~. The total amount of the

1 credits shall be collected as delinquent business and occupation taxes,
2 and the total of the exemptions shall be collected and distributed as
3 delinquent property taxes. Interest shall accrue on the amounts of the
4 credits and exemptions from the date the taxes were otherwise due.

5 (4) The department of community, trade, and economic development
6 shall provide technical assistance to the department in carrying out
7 its responsibilities under this section.

8 **Sec. 16.** RCW 84.36.041 and 1998 c 311 s 20 are each amended to
9 read as follows:

10 (1) All real and personal property used by a nonprofit home for the
11 aging that is reasonably necessary for the purposes of the home is
12 exempt from taxation if the benefit of the exemption inures to the home
13 and:

14 (a) At least fifty percent of the occupied dwelling units in the
15 home are occupied by eligible residents; or

16 (b) The home is subsidized under a federal department of housing
17 and urban development program. The department of revenue shall provide
18 by rule a definition of homes eligible for exemption under this
19 subsection (b), consistent with the purposes of this section.

20 (2) All real and personal property used by a nonprofit home for the
21 aging that is reasonably necessary for the purposes of the home is
22 exempt from taxation if the benefit of the exemption inures to the home
23 and the construction, rehabilitation, acquisition, or refinancing of
24 the home is financed under a program using bonds exempt from federal
25 income tax if at least seventy-five percent of the total amount
26 financed uses the tax exempt bonds and the financing program requires
27 the home to reserve a percentage of all dwelling units so financed for
28 low-income residents. The initial term of the exemption under this
29 subsection shall equal the term of the tax exempt bond used in
30 connection with the financing program, or the term of the requirement
31 to reserve dwelling units for low-income residents, whichever is
32 shorter. If the financing program involves less than the entire home,
33 only those dwelling units included in the financing program are
34 eligible for total exemption. The department of revenue shall provide
35 by rule the requirements for monitoring compliance with the provisions
36 of this subsection and the requirements for exemption including:

37 (a) The number or percentage of dwelling units required to be
38 occupied by low-income residents, and a definition of low income;

1 (b) The type and character of the dwelling units, whether
2 independent units or otherwise; and

3 (c) Any particular requirements for continuing care retirement
4 communities.

5 (3) A home for the aging is eligible for a partial exemption on the
6 real property and a total exemption for the home's personal property if
7 the home does not meet the requirements of subsection (1) of this
8 section because fewer than fifty percent of the occupied dwelling units
9 are occupied by eligible residents, as follows:

10 (a) A partial exemption shall be allowed for each dwelling unit in
11 a home occupied by a resident requiring assistance with activities of
12 daily living.

13 (b) A partial exemption shall be allowed for each dwelling unit in
14 a home occupied by an eligible resident.

15 (c) A partial exemption shall be allowed for an area jointly used
16 by a home for the aging and by a nonprofit organization, association,
17 or corporation currently exempt from property taxation under one of the
18 other provisions of this chapter. The shared area must be reasonably
19 necessary for the purposes of the nonprofit organization, association,
20 or corporation exempt from property taxation under one of the other
21 provisions of this chapter, such as kitchen, dining, and laundry areas.

22 (d) The amount of exemption shall be calculated by multiplying the
23 assessed value of the property reasonably necessary for the purposes of
24 the home, less the assessed value of any area exempt under (c) of this
25 subsection, by a fraction. The numerator of the fraction is the number
26 of dwelling units occupied by eligible residents and by residents
27 requiring assistance with activities of daily living. The denominator
28 of the fraction is the total number of occupied dwelling units as of
29 January 1st of the year for which exemption is claimed.

30 (4) To be exempt under this section, the property must be used
31 exclusively for the purposes for which the exemption is granted, except
32 as provided in RCW 84.36.805.

33 (5) A home for the aging is exempt from taxation only if the
34 organization operating the home is exempt from income tax under section
35 501(c) of the federal internal revenue code as existing on January 1,
36 1989, or such subsequent date as the director may provide by rule
37 consistent with the purposes of this section.

38 (6) In order for the home to be eligible for exemption under
39 subsections (1)(a) and ((+2)) (3)(b) of this section, each eligible

1 resident of a home for the aging shall submit an income verification
2 form to the county assessor by July 1st of the assessment year in which
3 the application for exemption is ~~((made))~~ filed. The income
4 verification form shall be prescribed and furnished by the department
5 of revenue. An eligible resident who has filed a form for a previous
6 year need not file a new form until there is a change in status
7 affecting the person's eligibility.

8 (7) In determining the assessed value of a home for the aging for
9 purposes of the partial exemption provided by subsection (3) of this
10 section, the assessor shall apply the computation method provided by
11 RCW 84.34.060 and shall consider only the use to which such property is
12 applied during the years for which such partial exemptions are
13 available and shall not consider potential uses of such property.

14 (8) As used in this section:

15 (a) "Eligible resident" means a person who:

16 (i) Occupied the dwelling unit as a principal place of residence as
17 of January 1st of the year for which the exemption is ~~((elaimed))~~
18 filed. Confinement of the person to a hospital or nursing home does
19 not disqualify the claim of exemption if the dwelling unit is
20 temporarily unoccupied or if the dwelling unit is occupied by a spouse,
21 a person financially dependent on the claimant for support, or both;
22 and

23 (ii) Is sixty-one years of age or older on December 31st of the
24 year in which the exemption claim is filed, or is, at the time of
25 filing, retired from regular gainful employment by reason of physical
26 disability. Any surviving spouse of a person who was receiving an
27 exemption at the time of the person's death shall qualify if the
28 surviving spouse is fifty-seven years of age or older and otherwise
29 meets the requirements of this subsection; and

30 (iii) Has a combined disposable income of no more than the greater
31 of twenty-two thousand dollars or eighty percent of the median income
32 adjusted for family size as most recently determined by the federal
33 department of housing and urban development for the county in which the
34 person resides. For the purposes of determining eligibility under this
35 section, a "cotenant" means a person who resides with an eligible
36 resident and who shares personal financial resources with the eligible
37 resident.

38 (b) "Combined disposable income" means the disposable income of the
39 person submitting the income verification form, plus the disposable

1 income of his or her spouse, and the disposable income of each cotenant
2 occupying the dwelling unit for the preceding calendar year, less
3 amounts paid by the person submitting the income verification form or
4 his or her spouse or cotenant during the previous year for the
5 treatment or care of either person received in the dwelling unit or in
6 a nursing home. If the person submitting the income verification form
7 was retired for two months or more of the preceding year, the combined
8 disposable income of such person shall be calculated by multiplying the
9 average monthly combined disposable income of such person during the
10 months such person was retired by twelve. If the income of the person
11 submitting the income verification form is reduced for two or more
12 months of the preceding year by reason of the death of the person's
13 spouse, the combined disposable income of such person shall be
14 calculated by multiplying the average monthly combined disposable
15 income of such person after the death of the spouse by twelve.

16 (c) "Disposable income" means adjusted gross income as defined in
17 the federal internal revenue code, as amended prior to January 1, 1989,
18 or such subsequent date as the director may provide by rule consistent
19 with the purpose of this section, plus all of the following items to
20 the extent they are not included in or have been deducted from adjusted
21 gross income:

22 (i) Capital gains, other than (~~nonrecognized gain on the sale of~~
23 ~~a principal residence under section 1034 of the federal internal~~
24 ~~revenue code, or~~) gain excluded from income under section 121 of the
25 federal internal revenue code to the extent it is reinvested in a new
26 principal residence;

27 (ii) Amounts deducted for loss;

28 (iii) Amounts deducted for depreciation;

29 (iv) Pension and annuity receipts;

30 (v) Military pay and benefits other than attendant-care and
31 medical-aid payments;

32 (vi) Veterans benefits other than attendant-care and medical-aid
33 payments;

34 (vii) Federal social security act and railroad retirement benefits;

35 (viii) Dividend receipts; and

36 (ix) Interest received on state and municipal bonds.

37 (d) "Resident requiring assistance with activities of daily living"
38 means a person who requires significant assistance with the activities

1 of daily living and who would be at risk of nursing home placement
2 without this assistance.

3 (e) "Home for the aging" means a residential housing facility that
4 (i) provides a housing arrangement chosen voluntarily by the resident,
5 the resident's guardian or conservator, or another responsible person;
6 (ii) has only residents who are at least sixty-one years of age or who
7 have needs for care generally compatible with persons who are at least
8 sixty-one years of age; and (iii) provides varying levels of care and
9 supervision, as agreed to at the time of admission or as determined
10 necessary at subsequent times of reappraisal.

11 (9) A for-profit home for the aging that converts to nonprofit
12 status after June 11, 1992, and would otherwise be eligible for tax
13 exemption under this section may not receive the tax exemption until
14 five years have elapsed since the conversion. The exemption shall then
15 be ratably granted over the next five years.

16 **Sec. 17.** RCW 84.36.350 and 1975 1st ex.s. c 3 s 1 are each amended
17 to read as follows:

18 (1) The following property shall be exempt from taxation:
19 (a) Real or personal property owned and used by a nonprofit
20 corporation in connection with the operation of a sheltered workshop
21 for handicapped persons, and used primarily in connection with the
22 manufacturing and the handling, sale or distribution of goods
23 constructed, processed, or repaired in such workshops or centers; and
24 (b) Inventory owned by a sheltered workshop for sale or lease by
25 the sheltered workshop or to be furnished under a contract of service,
26 including raw materials, work in process, and finished products.

27 (2) Unless a different meaning is plainly required by the context,
28 "sheltered workshop" means a rehabilitation facility, or that part of
29 a rehabilitation facility operated by a nonprofit corporation, where
30 any manufacture or handiwork is carried on and operated for the primary
31 purpose of: (a) Providing gainful employment or rehabilitation
32 services to the handicapped as an interim step in the rehabilitation
33 process for those who cannot be readily absorbed in the competitive
34 labor market or during such time as employment opportunities for them
35 in the competitive labor market do not exist; or (b) providing
36 evaluation and work adjustment services for handicapped individuals.

1 **Sec. 18.** RCW 84.36.383 and 1995 1st sp.s. c 8 s 2 are each amended
2 to read as follows:

3 As used in RCW 84.36.381 through 84.36.389, except where the
4 context clearly indicates a different meaning:

5 (1) The term "residence" (~~((shall))~~) means a single family dwelling
6 unit whether such unit be separate or part of a multiunit dwelling,
7 including the land on which such dwelling stands not to exceed one
8 acre. The term shall also include a share ownership in a cooperative
9 housing association, corporation, or partnership if the person claiming
10 exemption can establish that his or her share represents the specific
11 unit or portion of such structure in which he or she resides. The term
12 shall also include a single family dwelling situated upon lands the fee
13 of which is vested in the United States or any instrumentality thereof
14 including an Indian tribe or in the state of Washington, and
15 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
16 residence shall be deemed real property.

17 (2) The term "real property" shall also include a mobile home which
18 has substantially lost its identity as a mobile unit by virtue of its
19 being fixed in location upon land owned or leased by the owner of the
20 mobile home and placed on a foundation (posts or blocks) with fixed
21 pipe, connections with sewer, water, or other utilities(~~((:—PROVIDED,~~
22 ~~That))~~). A mobile home located on land leased by the owner of the
23 mobile home (~~((shall be))~~) is subject, for tax billing, payment, and
24 collection purposes, only to the personal property provisions of
25 chapter 84.56 RCW and RCW 84.60.040.

26 (3) "Department" (~~((shall))~~) means the state department of revenue.

27 (4) "Combined disposable income" means the disposable income of the
28 person claiming the exemption, plus the disposable income of his or her
29 spouse, and the disposable income of each cotenant occupying the
30 residence for the assessment year, less amounts paid by the person
31 claiming the exemption or his or her spouse during the assessment year
32 for:

33 (a) Drugs supplied by prescription of a medical practitioner
34 authorized by the laws of this state or another jurisdiction to issue
35 prescriptions; and

36 (b) The treatment or care of either person received in the home or
37 in a nursing home.

38 (5) "Disposable income" means adjusted gross income as defined in
39 the federal internal revenue code, as amended prior to January 1, 1989,

1 or such subsequent date as the director may provide by rule consistent
2 with the purpose of this section, plus all of the following items to
3 the extent they are not included in or have been deducted from adjusted
4 gross income:

5 (a) Capital gains, other than ((~~nonrecognized gain on the sale of~~
6 ~~a principal residence under section 1034 of the federal internal~~
7 ~~revenue code, or~~)) gain excluded from income under section 121 of the
8 federal internal revenue code to the extent it is reinvested in a new
9 principal residence;

10 (b) Amounts deducted for loss;

11 (c) Amounts deducted for depreciation;

12 (d) Pension and annuity receipts;

13 (e) Military pay and benefits other than attendant-care and
14 medical-aid payments;

15 (f) Veterans benefits other than attendant-care and medical-aid
16 payments;

17 (g) Federal social security act and railroad retirement benefits;

18 (h) Dividend receipts; and

19 (i) Interest received on state and municipal bonds.

20 (6) "Cotenant" means a person who resides with the person claiming
21 the exemption and who has an ownership interest in the residence.

22 NEW SECTION. **Sec. 19.** The following acts or parts of acts are
23 each repealed:

24 (1) RCW 84.36.353 and 1998 c 311 s 22 & 1970 ex.s. c 81 s 2; and

25 (2) RCW 84.36.485 and 1979 ex.s. c 191 s 9.

26 NEW SECTION. **Sec. 20.** Sections 1 and 3 through 19 of this act are
27 necessary for the immediate preservation of the public peace, health,
28 or safety, or support of the state government and its existing public
29 institutions, and take effect July 1, 1999.

30 NEW SECTION. **Sec. 21.** Section 2 of this act takes effect July 1,
31 2001.

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