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SECOND SUBSTITUTE HOUSE BILL 1011

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State of Washington

57th Legislature

2002 Regular Session

By House Committee on Finance (originally sponsored by Representatives Campbell, Conway, Benson, Mielke, Skinner, Pennington, DeBolt, Delvin, Ogden, Esser, Reardon, Linville, Pearson, Alexander, Barlean, Ericksen, Carrell, Morell, Dunn, Van Luven, O'Brien, Ahern and Talcott)

Read first time 02/11/2002. Referred to Committee on .

1 AN ACT Relating to property tax exemptions for persons with  
2 disabilities related to the performance of military duties; amending  
3 RCW 84.36.379, 84.36.381, and 84.36.383; and creating a new section.

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

5 **Sec. 1.** RCW 84.36.379 and 2000 c 103 s 25 are each amended to read  
6 as follows:

7 The legislature finds that the property tax exemption authorized by  
8 Article VII, section 10 of the state Constitution should be made  
9 available on the basis of a retired person's ability to pay property  
10 taxes(~~(.—The legislature further finds)~~) and that the best measure of  
11 a retired person's ability to pay taxes is that person's disposable  
12 income as defined in RCW 84.36.383. The legislature further finds that  
13 veterans with one hundred percent service-connected disabilities have  
14 given so much to our country that they deserve property tax relief.

15 **Sec. 2.** RCW 84.36.381 and 1998 c 333 s 1 are each amended to read  
16 as follows:

17 A person shall be exempt from any legal obligation to pay all or a  
18 portion of the amount of excess and regular real property taxes due and

1 payable in the year following the year in which a claim is filed, and  
2 thereafter, in accordance with the following:

3 (1) The property taxes must have been imposed upon a residence  
4 which was occupied by the person claiming the exemption as a principal  
5 place of residence as of the time of filing: PROVIDED, That any person  
6 who sells, transfers, or is displaced from his or her residence may  
7 transfer his or her exemption status to a replacement residence, but no  
8 claimant shall receive an exemption on more than one residence in any  
9 year: PROVIDED FURTHER, That confinement of the person to a hospital  
10 or nursing home shall not disqualify the claim of exemption if:

11 (a) The residence is temporarily unoccupied;

12 (b) The residence is occupied by a spouse and/or a person  
13 financially dependent on the claimant for support; or

14 (c) The residence is rented for the purpose of paying nursing home  
15 or hospital costs;

16 (2) The person claiming the exemption must have owned, at the time  
17 of filing, in fee, as a life estate, or by contract purchase, the  
18 residence on which the property taxes have been imposed or if the  
19 person claiming the exemption lives in a cooperative housing  
20 association, corporation, or partnership, such person must own a share  
21 therein representing the unit or portion of the structure in which he  
22 or she resides. For purposes of this subsection, a residence owned by  
23 a marital community or owned by cotenants shall be deemed to be owned  
24 by each spouse or cotenant, and any lease for life shall be deemed a  
25 life estate;

26 (3) The person claiming the exemption must be sixty-one years of  
27 age or older on December 31st of the year in which the exemption claim  
28 is filed, or must have been, at the time of filing, retired from  
29 regular gainful employment by reason of physical disability: PROVIDED,  
30 That any surviving spouse of a person who was receiving an exemption at  
31 the time of the person's death shall qualify if the surviving spouse is  
32 fifty-seven years of age or older and otherwise meets the requirements  
33 of this section;

34 (4) Except for veterans of the armed forces of the United States  
35 with one hundred percent service-connected disabilities, the amount  
36 that the person shall be exempt from an obligation to pay shall be  
37 calculated on the basis of combined disposable income, as defined in  
38 RCW 84.36.383. If the person claiming the exemption was retired for  
39 two months or more of the assessment year, the combined disposable

1 income of such person shall be calculated by multiplying the average  
2 monthly combined disposable income of such person during the months  
3 such person was retired by twelve. If the income of the person  
4 claiming exemption is reduced for two or more months of the assessment  
5 year by reason of the death of the person's spouse, or when other  
6 substantial changes occur in disposable income that are likely to  
7 continue for an indefinite period of time, the combined disposable  
8 income of such person shall be calculated by multiplying the average  
9 monthly combined disposable income of such person after such  
10 occurrences by twelve. If it is necessary to estimate income to comply  
11 with this subsection, the assessor may require confirming documentation  
12 of such income prior to May 31 of the year following application;

13 (5)(a) A person who otherwise qualifies under this section and has  
14 a combined disposable income of thirty thousand dollars or less or who  
15 is a veteran of the armed forces of the United States with a one  
16 hundred percent service-connected disability shall be exempt from all  
17 excess property taxes; and

18 (b)(i) A person who otherwise qualifies under this section and has  
19 a combined disposable income of twenty-four thousand dollars or less  
20 but greater than eighteen thousand dollars shall be exempt from all  
21 regular property taxes on the greater of forty thousand dollars or  
22 thirty-five percent of the valuation of his or her residence, but not  
23 to exceed sixty thousand dollars of the valuation of his or her  
24 residence; or

25 (ii) A person who otherwise qualifies under this section and has a  
26 combined disposable income of eighteen thousand dollars or less or who  
27 is a veteran of the armed forces of the United States with a one  
28 hundred percent service-connected disability shall be exempt from all  
29 regular property taxes on the greater of fifty thousand dollars or  
30 sixty percent of the valuation of his or her residence; and

31 (6) For a person who otherwise qualifies under this section and has  
32 a combined disposable income of thirty thousand dollars or less or who  
33 is a veteran of the armed forces of the United States with a one  
34 hundred percent service-connected disability, the valuation of the  
35 residence shall be the assessed value of the residence on the later of  
36 January 1, 1995, or January 1st of the assessment year the person first  
37 qualifies under this section. If the person subsequently fails to  
38 qualify under this section only for one year because of high income,  
39 this same valuation shall be used upon requalification. If the person

1 fails to qualify for more than one year in succession because of high  
2 income or fails to qualify for any other reason, the valuation upon  
3 requalification shall be the assessed value on January 1st of the  
4 assessment year in which the person requalifies. If the person  
5 transfers the exemption under this section to a different residence,  
6 the valuation of the different residence shall be the assessed value of  
7 the different residence on January 1st of the assessment year in which  
8 the person transfers the exemption.

9 In no event may the valuation under this subsection be greater than  
10 the true and fair value of the residence on January 1st of the  
11 assessment year.

12 This subsection does not apply to subsequent improvements to the  
13 property in the year in which the improvements are made. Subsequent  
14 improvements to the property shall be added to the value otherwise  
15 determined under this subsection at their true and fair value in the  
16 year in which they are made.

17 **Sec. 3.** RCW 84.36.383 and 1999 c 358 s 18 are each amended to read  
18 as follows:

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

21 (1) The term "residence" means a single family dwelling unit  
22 whether such unit be separate or part of a multiunit dwelling,  
23 including the land on which such dwelling stands not to exceed one  
24 acre. The term shall also include a share ownership in a cooperative  
25 housing association, corporation, or partnership if the person claiming  
26 exemption can establish that his or her share represents the specific  
27 unit or portion of such structure in which he or she resides. The term  
28 shall also include a single family dwelling situated upon lands the fee  
29 of which is vested in the United States or any instrumentality thereof  
30 including an Indian tribe or in the state of Washington, and  
31 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
32 residence shall be deemed real property.

33 (2) The term "real property" shall also include a mobile home which  
34 has substantially lost its identity as a mobile unit by virtue of its  
35 being fixed in location upon land owned or leased by the owner of the  
36 mobile home and placed on a foundation (posts or blocks) with fixed  
37 pipe, connections with sewer, water, or other utilities. A mobile home  
38 located on land leased by the owner of the mobile home is subject, for

1 tax billing, payment, and collection purposes, only to the personal  
2 property provisions of chapter 84.56 RCW and RCW 84.60.040.

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

4 (4) "Combined disposable income" means the disposable income of the  
5 person claiming the exemption, plus the disposable income of his or her  
6 spouse, and the disposable income of each cotenant occupying the  
7 residence for the assessment year, less amounts paid by the person  
8 claiming the exemption or his or her spouse during the assessment year  
9 for:

10 (a) Drugs supplied by prescription of a medical practitioner  
11 authorized by the laws of this state or another jurisdiction to issue  
12 prescriptions; and

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

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

21 (a) Capital gains, other than gain excluded from income under  
22 section 121 of the federal internal revenue code to the extent it is  
23 reinvested in a new principal residence;

24 (b) Amounts deducted for loss;

25 (c) Amounts deducted for depreciation;

26 (d) Pension and annuity receipts;

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

29 (f) Veterans benefits, other than attendant-care and medical-aid  
30 payments and benefits for disabilities related to the performance of  
31 military duties;

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

33 (h) Dividend receipts; and

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

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

1        NEW SECTION.    **Sec. 4.**    This act applies to taxes levied for  
2 collection in 2003 and thereafter.

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