
HOUSE BILL 1155

State of Washington

64th Legislature

2015 Regular Session

By Representatives Pike, Moeller, Buys, Manweller, Hayes, Bergquist,
and Pollet

Read first time 01/14/15. Referred to Committee on Finance.

1 AN ACT Relating to property tax relief for senior citizens and
2 persons retired because of physical disability; amending RCW
3 84.36.381, 84.36.383, 84.36.385, 84.38.020, and 84.38.030; and
4 creating new sections.

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

6 NEW SECTION. **Sec. 1.** The legislature finds the relative value
7 of a dollar has decreased over time due to inflation. The legislature
8 further finds pension payments and social security benefits are the
9 primary sources of income for many individuals who qualify for the
10 senior citizen property tax exemption and deferral programs. The
11 legislature further finds both pension payments and social security
12 benefit amounts are annually adjusted to account for inflation while
13 the qualifying income thresholds for the senior citizen property tax
14 relief programs are a constant dollar amount. The legislature has
15 made multiple statutory adjustments to the qualifying income
16 thresholds of the senior citizen property tax relief programs to
17 account for inflation. In order to eliminate the need for future
18 legislative action to account for inflation, the legislature intends
19 to allow the income thresholds for the senior citizen property tax
20 exemption and deferral programs to annually grow with inflation.

1 **Sec. 2.** RCW 84.36.381 and 2012 c 10 s 73 are each amended to
2 read as follows:

3 A person is exempt from any legal obligation to pay all or a
4 portion of the amount of excess and regular real property taxes due
5 and payable in the year following the year in which a claim is filed,
6 and thereafter, in accordance with the following:

7 (1) The property taxes must have been imposed upon a residence
8 which was occupied by the person claiming the exemption as a
9 principal place of residence as of the time of filing. However, any
10 person who sells, transfers, or is displaced from his or her
11 residence may transfer his or her exemption status to a replacement
12 residence, but no claimant may receive an exemption on more than one
13 residence in any year. Moreover, confinement of the person to a
14 hospital, nursing home, assisted living facility, or adult family
15 home does not disqualify the claim of exemption if:

16 (a) The residence is temporarily unoccupied;

17 (b) The residence is occupied by a spouse or a domestic partner
18 and/or a person financially dependent on the claimant for support; or

19 (c) The residence is rented for the purpose of paying nursing
20 home, hospital, assisted living facility, or adult family home costs;

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

32 (3)(a) The person claiming the exemption must be:

33 (i) Sixty-one years of age or older on December 31st of the year
34 in which the exemption claim is filed, or must have been, at the time
35 of filing, retired from regular gainful employment by reason of
36 disability; or

37 (ii) A veteran of the armed forces of the United States entitled
38 to and receiving compensation from the United States department of
39 veterans affairs at a total disability rating for a service-connected
40 disability.

1 (b) However, any surviving spouse or surviving domestic partner
2 of a person who was receiving an exemption at the time of the
3 person's death will qualify if the surviving spouse or surviving
4 domestic partner is fifty-seven years of age or older and otherwise
5 meets the requirements of this section;

6 (4) The amount that the person is exempt from an obligation to
7 pay is calculated on the basis of combined disposable income, as
8 defined in RCW 84.36.383. If the person claiming the exemption was
9 retired for two months or more of the assessment year, the combined
10 disposable income of such person must be calculated by multiplying
11 the average monthly combined disposable income of such person during
12 the months such person was retired by twelve. If the income of the
13 person claiming exemption is reduced for two or more months of the
14 assessment year by reason of the death of the person's spouse or the
15 person's domestic partner, or when other substantial changes occur in
16 disposable income that are likely to continue for an indefinite
17 period of time, the combined disposable income of such person must be
18 calculated by multiplying the average monthly combined disposable
19 income of such person after such occurrences by twelve. If it is
20 necessary to estimate income to comply with this subsection, the
21 assessor may require confirming documentation of such income prior to
22 May 31 of the year following application;

23 (5)(a) A person who otherwise qualifies under this section and
24 has a combined disposable income (~~(of thirty-five thousand dollars or~~
25 ~~less)) equal to or less than income threshold 3 is exempt from all
26 excess property taxes; and~~

27 (b)(i) A person who otherwise qualifies under this section and
28 has a combined disposable income (~~(of thirty thousand dollars or less~~
29 ~~but greater than twenty-five thousand dollars)) equal to or less than
30 income threshold 2 but greater than income threshold 1 is exempt from
31 all regular property taxes on the greater of fifty thousand dollars
32 or thirty-five percent of the valuation of his or her residence, but
33 not to exceed seventy thousand dollars of the valuation of his or her
34 residence; or~~

35 (ii) A person who otherwise qualifies under this section and has
36 a combined disposable income of (~~(twenty-five thousand dollars or~~
37 ~~less)) equal to or less than income threshold 1 is exempt from all
38 regular property taxes on the greater of sixty thousand dollars or
39 sixty percent of the valuation of his or her residence;~~

1 (6)(a) For a person who otherwise qualifies under this section
2 and has a combined disposable income of (~~thirty-five thousand~~
3 ~~dollars or less~~) equal to or less than income threshold 3, the
4 valuation of the residence is the assessed value of the residence on
5 the later of January 1, 1995, or January 1st of the assessment year
6 the person first qualifies under this section. If the person
7 subsequently fails to qualify under this section only for one year
8 because of high income, this same valuation must be used upon
9 requalification. If the person fails to qualify for more than one
10 year in succession because of high income or fails to qualify for any
11 other reason, the valuation upon requalification is the assessed
12 value on January 1st of the assessment year in which the person
13 requalifies. If the person transfers the exemption under this section
14 to a different residence, the valuation of the different residence is
15 the assessed value of the different residence on January 1st of the
16 assessment year in which the person transfers the exemption.

17 (b) In no event may the valuation under this subsection be
18 greater than the true and fair value of the residence on January 1st
19 of the assessment year.

20 (c) This subsection does not apply to subsequent improvements to
21 the property in the year in which the improvements are made.
22 Subsequent improvements to the property must be added to the value
23 otherwise determined under this subsection at their true and fair
24 value in the year in which they are made.

25 **Sec. 3.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
26 read as follows:

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

29 (1) The term "residence" means a single family dwelling unit
30 whether such unit be separate or part of a multiunit dwelling,
31 including the land on which such dwelling stands not to exceed one
32 acre, except that a residence includes any additional property up to
33 a total of five acres that comprises the residential parcel if this
34 larger parcel size is required under land use regulations. The term
35 also includes a share ownership in a cooperative housing association,
36 corporation, or partnership if the person claiming exemption can
37 establish that his or her share represents the specific unit or
38 portion of such structure in which he or she resides. The term also
39 includes a single family dwelling situated upon lands the fee of

1 which is vested in the United States or any instrumentality thereof
2 including an Indian tribe or in the state of Washington, and
3 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
4 residence is deemed real property.

5 (2) The term "real property" also includes a mobile home which
6 has substantially lost its identity as a mobile unit by virtue of its
7 being fixed in location upon land owned or leased by the owner of the
8 mobile home and placed on a foundation (posts or blocks) with fixed
9 pipe, connections with sewer, water, or other utilities. A mobile
10 home located on land leased by the owner of the mobile home is
11 subject, for tax billing, payment, and collection purposes, only to
12 the personal property provisions of chapter 84.56 RCW and RCW
13 84.60.040.

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

15 (4) "Combined disposable income" means the disposable income of
16 the person claiming the exemption, plus the disposable income of his
17 or her spouse or domestic partner, and the disposable income of each
18 cotenant occupying the residence for the assessment year, less
19 amounts paid by the person claiming the exemption or his or her
20 spouse or domestic partner during the assessment year for:

21 (a) Drugs supplied by prescription of a medical practitioner
22 authorized by the laws of this state or another jurisdiction to issue
23 prescriptions;

24 (b) The treatment or care of either person received in the home
25 or in a nursing home, assisted living facility, or adult family home;
26 and

27 (c) Health care insurance premiums for medicare under Title XVIII
28 of the social security act.

29 (5) "Disposable income" means adjusted gross income as defined in
30 the federal internal revenue code, as amended prior to January 1,
31 1989, or such subsequent date as the director may provide by rule
32 consistent with the purpose of this section, plus all of the
33 following items to the extent they are not included in or have been
34 deducted from adjusted gross income:

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

38 (b) Amounts deducted for loss;

39 (c) Amounts deducted for depreciation;

40 (d) Pension and annuity receipts;

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

3 (f) Veterans benefits, other than:

4 (i) Attendant-care payments;

5 (ii) Medical-aid payments;

6 (iii) Disability compensation, as defined in Title 38, part 3,
7 section 3.4 of the code of federal regulations, as of January 1,
8 2008; and

9 (iv) Dependency and indemnity compensation, as defined in Title
10 38, part 3, section 3.5 of the code of federal regulations, as of
11 January 1, 2008;

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

13 (h) Dividend receipts; and

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

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

18 (7) "Disability" has the same meaning as provided in 42 U.S.C.
19 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such
20 subsequent date as the department may provide by rule consistent with
21 the purpose of this section.

22 (8) "Income threshold 1" means a combined disposable income equal
23 to \$25,000 or less, annually adjusted for inflation beginning in
24 calendar year 2016, as provided in RCW 84.36.385(7).

25 (9) "Income threshold 2" means a combined disposable income
26 between \$25,001 and \$30,000, annually adjusted for inflation
27 beginning in calendar year 2016, as provided in RCW 84.36.385(7).

28 (10) "Income threshold 3" means a combined disposable income
29 between \$30,001 and \$35,000, annually adjusted for inflation
30 beginning in calendar year 2016, as provided in RCW 84.36.385(7).

31 (11) "Consumer price index" means the consumer price index for
32 all urban consumers (CPI-U) as published by the bureau of labor
33 statistics of the United States department of labor.

34 **Sec. 4.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
35 read as follows:

36 (1) A claim for exemption under RCW 84.36.381 as now or hereafter
37 amended, may be made and filed at any time during the year for
38 exemption from taxes payable the following year and thereafter and
39 solely upon forms as prescribed and furnished by the department of

1 revenue. However, an exemption from tax under RCW 84.36.381 continues
2 for no more than six years unless a renewal application is filed as
3 provided in subsection (3) of this section.

4 (2) A person granted an exemption under RCW 84.36.381 must inform
5 the county assessor of any change in status affecting the person's
6 entitlement to the exemption on forms prescribed and furnished by the
7 department of revenue.

8 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
9 thereafter((τ)) must file with the county assessor a renewal
10 application not later than December 31 of the year the assessor
11 notifies such person of the requirement to file the renewal
12 application. Renewal applications must be on forms prescribed and
13 furnished by the department of revenue.

14 (4) At least once every six years, the county assessor must
15 notify those persons receiving an exemption from taxes under RCW
16 84.36.381 of the requirement to file a renewal application. The
17 county assessor may also require a renewal application following an
18 amendment of the income requirements set forth in RCW 84.36.381.

19 (5) If the assessor finds that the applicant does not meet the
20 qualifications as set forth in RCW 84.36.381, as now or hereafter
21 amended, the claim or exemption must be denied but such denial is
22 subject to appeal under the provisions of RCW 84.48.010 and in
23 accordance with the provisions of RCW 84.40.038. If the applicant had
24 received exemption in prior years based on erroneous information, the
25 taxes must be collected subject to penalties as provided in RCW
26 84.40.130 for a period of not to exceed five years.

27 (6) The department and each local assessor is hereby directed to
28 publicize the qualifications and manner of making claims under RCW
29 84.36.381 through 84.36.389, through communications media, including
30 such paid advertisements or notices as it deems appropriate. Notice
31 of the qualifications, method of making applications, the penalties
32 for not reporting a change in status, and availability of further
33 information must be included on or with property tax statements and
34 revaluation notices for all residential property including mobile
35 homes, except rental properties.

36 (7) The department must annually publish updated income
37 thresholds by January 1st of each year. The department must adjust
38 income threshold 1, income threshold 2, and income threshold 3, to
39 reflect the increase in the unadjusted consumer price index over the
40 twelve-month period ending in September of the previous calendar

1 year. The adjusted income thresholds apply for applications submitted
2 in the current calendar year. The adjusted thresholds must be rounded
3 to the nearest one dollar. If the change in the consumer price index
4 is less than one, the income threshold for the current year continues
5 to apply.

6 **Sec. 5.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to read
7 as follows:

8 ~~((Unless a different meaning is plainly required by the context,~~
9 ~~the following words and phrases as hereinafter used in this chapter~~
10 ~~shall have the following meanings:)) The definitions in this section
11 apply throughout this chapter unless the context clearly requires
12 otherwise.~~

13 (1)(a) "Claimant" means a person who either elects or is required
14 under RCW 84.64.050 to defer payment of the special assessments
15 and/or real property taxes accrued on the claimant's residence by
16 filing a declaration to defer as provided by this chapter.

17 (b) When two or more individuals of a household file or seek to
18 file a declaration to defer, they may determine between them as to
19 who the claimant ~~((shall be))~~ is.

20 (2) ~~((("Department" means the state department of revenue.~~

21 ~~(3))~~ "Equity value" means the amount by which the fair market
22 value of a residence as determined from the records of the county
23 assessor exceeds the total amount of any liens or other obligations
24 against the property.

25 ~~((4))~~ (3) "Local government" means any city, town, county,
26 water-sewer district, public utility district, port district,
27 irrigation district, flood control district, or any other municipal
28 corporation, quasi-municipal corporation, or other political
29 subdivision authorized to levy special assessments.

30 ~~((5))~~ (4) "Real property taxes" means ad valorem property taxes
31 levied on a residence in this state in the preceding calendar year.

32 ~~((6))~~ (5) "Residence" has the meaning given in RCW 84.36.383.

33 ~~((7))~~ (6) "Special assessment" means the charge or obligation
34 imposed by a local government upon property specially benefited.

35 (7) "Income threshold" means a combined disposable income of less
36 than forty thousand dollars, annually adjusted for inflation
37 beginning in calendar year 2016, as provided in RCW 84.36.385(7).

1 **Sec. 6.** RCW 84.38.030 and 2008 c 6 s 702 are each amended to
2 read as follows:

3 A claimant may defer payment of special assessments and/or real
4 property taxes on up to eighty percent of the amount of the
5 claimant's equity value in the claimant's residence if the following
6 conditions are met:

7 (1) The claimant must meet all requirements for an exemption for
8 the residence under RCW 84.36.381, other than the age and income
9 limits under RCW 84.36.381.

10 (2) The claimant must be sixty years of age or older on December
11 31st of the year in which the deferral claim is filed, or must have
12 been, at the time of filing, retired from regular gainful employment
13 by reason of physical disability(~~(+ PROVIDED, That)~~). However, any
14 surviving spouse or surviving domestic partner of a person who was
15 receiving a deferral at the time of the person's death (~~shall~~
16 ~~qualify~~) qualifies if the surviving spouse or surviving domestic
17 partner is fifty-seven years of age or older and otherwise meets the
18 requirements of this section.

19 (3) The claimant must have a combined disposable income, as
20 defined in RCW 84.36.383, (~~of forty thousand dollars or~~) less than
21 or equal to the income threshold.

22 (4) The claimant must have owned, at the time of filing, the
23 residence on which the special assessment and/or real property taxes
24 have been imposed. For purposes of this subsection, a residence owned
25 by a marital community, owned by domestic partners, or owned by
26 cotenants (~~shall be~~) is deemed to be owned by each spouse, each
27 domestic partner, or each cotenant. A claimant who has only a share
28 ownership in cooperative housing, a life estate, a lease for life, or
29 a revocable trust does not satisfy the ownership requirement.

30 (5) The claimant must have and keep in force fire and casualty
31 insurance in sufficient amount to protect the interest of the state
32 in the claimant's equity value(~~(+ PROVIDED, That)~~). However, if the
33 claimant fails to keep fire and casualty insurance in force to the
34 extent of the state's interest in the claimant's equity value, the
35 amount deferred (~~shall~~) may not exceed one hundred percent of the
36 claimant's equity value in the land or lot only.

37 (6) In the case of special assessment deferral, the claimant must
38 have opted for payment of such special assessments on the installment
39 method if such method was available.

1 NEW SECTION. **Sec. 7.** The department of revenue must annually
2 update the income thresholds, following the requirements provided in
3 RCW 84.36.385(7).

4 NEW SECTION. **Sec. 8.** This act is not subject to the
5 requirements provided in RCW 82.32.805 and 82.32.808.

6 NEW SECTION. **Sec. 9.** This act applies to the taxes levied for
7 collection in 2016 and thereafter.

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