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HOUSE BILL 1161

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State of Washington                      64th Legislature                      2015 Regular Session

By Representatives Moeller, Bergquist, Pollet, and Santos

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

1            AN ACT Relating to indexing qualifying income thresholds for  
2 senior citizen property tax relief programs; amending RCW 84.36.381,  
3 84.36.383, 84.36.385, 84.38.020, and 84.38.030; adding a new section  
4 to chapter 84.38 RCW; and creating new sections.

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

6            NEW SECTION.        **Sec. 1.**        This section is the tax preference  
7 performance statement for the tax preference contained in this act.  
8 This performance statement is only intended to be used for subsequent  
9 evaluation of the tax preference. It is not intended to create a  
10 private right of action by any party or be used to determine  
11 eligibility for preferential tax treatment.

12            (1) The legislature categorizes this tax preference as one  
13 intended to provide tax relief for certain individuals, as indicated  
14 in RCW 82.32.808(2)(e).

15            (2) It is the legislature's specific public policy objective to  
16 index the qualifying income thresholds for property tax relief  
17 programs to: (a) Reflect year-to-year changes in income due to  
18 inflation and other economic conditions; and (b) reflect county-to-  
19 county differences in median income across the state.

20            (3) To measure the effectiveness of this act in achieving the  
21 specific public policy objective described in subsection (2) of this

1 section, the joint legislative audit and review committee must  
2 provide the legislature a quinquennial report, in compliance with RCW  
3 43.01.036, to evaluate the effectiveness of this act, beginning in  
4 fiscal year 2020. The report must, at minimum, evaluate the  
5 following:

6 (a) The number of participants and the total tax relief provided  
7 to participants of the tax preferences, by qualifying income  
8 threshold and by county;

9 (b) Total fiscal impact of the tax preference to state and local  
10 governments and other property owners, by county;

11 (c) Median household income by county.

12 (4)(a) In order to obtain the data necessary to perform the  
13 review under this section, the joint legislative audit and review  
14 committee may refer to:

15 (i) Reports of senior and disabled relief for the county,  
16 provided by county assessors to the department of revenue; and

17 (ii) Median household income estimates by county, published by  
18 the office of financial management.

19 (b) In addition to the data sources described under this section,  
20 the joint legislative audit and review committee may use any other  
21 data it deems necessary in performing the evaluation under subsection  
22 (3) of this section.

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

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

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

38 (a) The residence is temporarily unoccupied;

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

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

5 (2) The person claiming the exemption must have owned, at the  
6 time of filing, in fee, as a life estate, or by contract purchase,  
7 the residence on which the property taxes have been imposed or if the  
8 person claiming the exemption lives in a cooperative housing  
9 association, corporation, or partnership, such person must own a  
10 share therein representing the unit or portion of the structure in  
11 which he or she resides. For purposes of this subsection, a residence  
12 owned by a marital community or state registered domestic partnership  
13 or owned by cotenants is deemed to be owned by each spouse or each  
14 domestic partner or each cotenant, and any lease for life is deemed a  
15 life estate;

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

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

21 (ii) A veteran of the armed forces of the United States entitled  
22 to and receiving compensation from the United States department of  
23 veterans affairs at a total disability rating for a service-connected  
24 disability.

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

30 (4) The amount that the person is exempt from an obligation to  
31 pay is calculated on the basis of combined disposable income, as  
32 defined in RCW 84.36.383. If the person claiming the exemption was  
33 retired for two months or more of the assessment year, the combined  
34 disposable income of such person must be calculated by multiplying  
35 the average monthly combined disposable income of such person during  
36 the months such person was retired by twelve. If the income of the  
37 person claiming exemption is reduced for two or more months of the  
38 assessment year by reason of the death of the person's spouse or the  
39 person's domestic partner, or when other substantial changes occur in  
40 disposable income that are likely to continue for an indefinite

1 period of time, the combined disposable income of such person must be  
2 calculated by multiplying the average monthly combined disposable  
3 income of such person after such occurrences by twelve. If it is  
4 necessary to estimate income to comply with this subsection, the  
5 assessor may require confirming documentation of such income prior to  
6 May 31 of the year following application;

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

11 (b)(i) A person who otherwise qualifies under this section and  
12 has a combined disposable income (~~(of thirty thousand dollars or less~~  
13 ~~but greater than twenty-five thousand dollars)) equal to or less than  
14 income threshold 2 but greater than income threshold 1 is exempt from  
15 all regular property taxes on the greater of fifty thousand dollars  
16 or thirty-five percent of the valuation of his or her residence, but  
17 not to exceed seventy thousand dollars of the valuation of his or her  
18 residence; or~~

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

24 (6)(a) For a person who otherwise qualifies under this section  
25 and has a combined disposable income (~~(of thirty-five thousand~~  
26 ~~dollars or less)) equal to or less than income threshold 3, the  
27 valuation of the residence is the assessed value of the residence on  
28 the later of January 1, 1995, or January 1st of the assessment year  
29 the person first qualifies under this section. If the person  
30 subsequently fails to qualify under this section only for one year  
31 because of high income, this same valuation must be used upon  
32 requalification. If the person fails to qualify for more than one  
33 year in succession because of high income or fails to qualify for any  
34 other reason, the valuation upon requalification is the assessed  
35 value on January 1st of the assessment year in which the person  
36 requalifies. If the person transfers the exemption under this section  
37 to a different residence, the valuation of the different residence is  
38 the assessed value of the different residence on January 1st of the  
39 assessment year in which the person transfers the exemption.~~

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

4 (c) This subsection does not apply to subsequent improvements to  
5 the property in the year in which the improvements are made.  
6 Subsequent improvements to the property must be added to the value  
7 otherwise determined under this subsection at their true and fair  
8 value in the year in which they are made.

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

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

13 (1) The term "residence" means a single family dwelling unit  
14 whether such unit be separate or part of a multiunit dwelling,  
15 including the land on which such dwelling stands not to exceed one  
16 acre, except that a residence includes any additional property up to  
17 a total of five acres that comprises the residential parcel if this  
18 larger parcel size is required under land use regulations. The term  
19 also includes a share ownership in a cooperative housing association,  
20 corporation, or partnership if the person claiming exemption can  
21 establish that his or her share represents the specific unit or  
22 portion of such structure in which he or she resides. The term also  
23 includes a single family dwelling situated upon lands the fee of  
24 which is vested in the United States or any instrumentality thereof  
25 including an Indian tribe or in the state of Washington, and  
26 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
27 residence is deemed real property.

28 (2) The term "real property" also includes a mobile home which  
29 has substantially lost its identity as a mobile unit by virtue of its  
30 being fixed in location upon land owned or leased by the owner of the  
31 mobile home and placed on a foundation (posts or blocks) with fixed  
32 pipe, connections with sewer, water, or other utilities. A mobile  
33 home located on land leased by the owner of the mobile home is  
34 subject, for tax billing, payment, and collection purposes, only to  
35 the personal property provisions of chapter 84.56 RCW and RCW  
36 84.60.040.

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

38 (4) "Combined disposable income" means the disposable income of  
39 the person claiming the exemption, plus the disposable income of his

1 or her spouse or domestic partner, and the disposable income of each  
2 cotenant occupying the residence for the assessment year, less  
3 amounts paid by the person claiming the exemption or his or her  
4 spouse or domestic partner during the assessment year for:

5 (a) Drugs supplied by prescription of a medical practitioner  
6 authorized by the laws of this state or another jurisdiction to issue  
7 prescriptions;

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

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

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

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

22 (b) Amounts deducted for loss;

23 (c) Amounts deducted for depreciation;

24 (d) Pension and annuity receipts;

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

27 (f) Veterans benefits, other than:

28 (i) Attendant-care payments;

29 (ii) Medical-aid payments;

30 (iii) Disability compensation, as defined in Title 38, part 3,  
31 section 3.4 of the code of federal regulations, as of January 1,  
32 2008; and

33 (iv) Dependency and indemnity compensation, as defined in Title  
34 38, part 3, section 3.5 of the code of federal regulations, as of  
35 January 1, 2008;

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

37 (h) Dividend receipts; and

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

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

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

8 (8) For taxes levied for collection in calendar years 2016 and  
9 2017, "income threshold 1" means a combined disposable income equal  
10 to twenty-five thousand dollars or less, annually adjusted for  
11 inflation. For taxes levied for collection in calendar year 2018 and  
12 thereafter, "income threshold 1" means a combined disposable income  
13 equal to the greater of twenty-five thousand dollars or county median  
14 household income.

15 (9) For taxes levied for collection in calendar years 2016 and  
16 2017, "income threshold 2" means a combined disposable income of  
17 thirty thousand dollars or less but greater than twenty-five thousand  
18 dollars, annually adjusted for inflation. For taxes levied for  
19 collection in calendar year 2018 and thereafter, "income threshold 2"  
20 means a combined disposable income equal to the greater of thirty  
21 thousand dollars or one hundred five percent of county median  
22 household income.

23 (10) For taxes levied for collection in calendar years 2016 and  
24 2017, "income threshold 3" means a combined disposable income of  
25 thirty-five thousand dollars or less but greater than thirty thousand  
26 dollars, annually adjusted for inflation. For taxes levied for  
27 collection in calendar year 2018 and thereafter, "income threshold 3"  
28 means a combined disposable income equal to the greater of thirty-  
29 five thousand dollars or one hundred ten percent of county median  
30 household income.

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 (12) "County median household income" means the median household  
35 income estimate by county for the county of the legal address of the  
36 eligible residence, as published by the office of financial  
37 management.

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

1 (1) A claim for exemption under RCW 84.36.381 as now or hereafter  
2 amended, may be made and filed at any time during the year for  
3 exemption from taxes payable the following year and thereafter and  
4 solely upon forms as prescribed and furnished by the department of  
5 revenue. However, an exemption from tax under RCW 84.36.381 continues  
6 for no more than six years unless a renewal application is filed as  
7 provided in subsection (3) of this section.

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

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

18 (4) At least once every six years, the county assessor must  
19 notify those persons receiving an exemption from taxes under RCW  
20 84.36.381 of the requirement to file a renewal application. The  
21 county assessor may also require a renewal application following an  
22 amendment of the income requirements set forth in RCW 84.36.381.

23 (5) If the assessor finds that the applicant does not meet the  
24 qualifications as set forth in RCW 84.36.381, as now or hereafter  
25 amended, the claim or exemption must be denied but such denial is  
26 subject to appeal under the provisions of RCW 84.48.010 and in  
27 accordance with the provisions of RCW 84.40.038. If the applicant had  
28 received exemption in prior years based on erroneous information, the  
29 taxes must be collected subject to penalties as provided in RCW  
30 84.40.130 for a period of not to exceed five years.

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



1       (7) The department must annually publish updated income  
2 thresholds by January 1st of each year. The adjusted thresholds must  
3 be rounded to the nearest one dollar. If the annual income threshold  
4 adjustment is negative, the income threshold for the current year  
5 continues to apply.

6       (a) For taxes levied for collection in calendar years 2016 and  
7 2017, the department must adjust income threshold 1, income threshold  
8 2, and income threshold 3 to reflect the increase in the unadjusted  
9 consumer price index over the twelve-month period ending in September  
10 of the previous calendar year.

11       (b) For taxes levied for collection in calendar year 2018 and  
12 thereafter, the department must adjust income threshold 1, income  
13 threshold 2, and income threshold 3 to reflect the most recent year  
14 of available median household income estimates by county. The  
15 department may not adjust the income thresholds to reflect median  
16 household income preliminary estimate projections by county.

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

19       Unless a different meaning is plainly required by the context,  
20 the following words and phrases as hereinafter used in this chapter  
21 shall have the following meanings:

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

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

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

30       (3) "Equity value" means the amount by which the fair market  
31 value of a residence as determined from the records of the county  
32 assessor exceeds the total amount of any liens or other obligations  
33 against the property.

34       (4) "Local government" means any city, town, county, water-sewer  
35 district, public utility district, port district, irrigation  
36 district, flood control district, or any other municipal corporation,  
37 quasi-municipal corporation, or other political subdivision  
38 authorized to levy special assessments.

1 (5) "Real property taxes" means ad valorem property taxes levied  
2 on a residence in this state in the preceding calendar year.

3 (6) "Residence" has the meaning given in RCW 84.36.383.

4 (7) "Special assessment" means the charge or obligation imposed  
5 by a local government upon property specially benefited.

6 (8) "Income threshold" means a combined disposable income equal  
7 to forty thousand dollars or less, annually adjusted for inflation,  
8 as provided in section 7 of this act.

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

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

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

18 (2) The claimant must be sixty years of age or older on December  
19 31st of the year in which the deferral claim is filed, or must have  
20 been, at the time of filing, retired from regular gainful employment  
21 by reason of physical disability(~~(; PROVIDED, That)~~). However, any  
22 surviving spouse or surviving domestic partner of a person who was  
23 receiving a deferral at the time of the person's death shall qualify  
24 if the surviving spouse or surviving domestic partner is fifty-seven  
25 years of age or older and otherwise meets the requirements of this  
26 section.

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

30 (4) The claimant must have owned, at the time of filing, the  
31 residence on which the special assessment and/or real property taxes  
32 have been imposed. For purposes of this subsection, a residence owned  
33 by a marital community, owned by domestic partners, or owned by  
34 cotenants shall be deemed to be owned by each spouse, each domestic  
35 partner, or each cotenant. A claimant who has only a share ownership  
36 in cooperative housing, a life estate, a lease for life, or a  
37 revocable trust does not satisfy the ownership requirement.

38 (5) The claimant must have and keep in force fire and casualty  
39 insurance in sufficient amount to protect the interest of the state

1 in the claimant's equity value(~~(: PROVIDED, That)~~). However, if the  
2 claimant fails to keep fire and casualty insurance in force to the  
3 extent of the state's interest in the claimant's equity value, the  
4 amount deferred shall not exceed one hundred percent of the  
5 claimant's equity value in the land or lot only.

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

9 NEW SECTION. Sec. 7. A new section is added to chapter 84.38  
10 RCW to read as follows:

11 The department must annually publish updated income thresholds by  
12 January 1st of each year. Beginning with taxes levied for collection  
13 in 2016, the department must adjust the income threshold to reflect  
14 the increase in the unadjusted consumer price index over the twelve-  
15 month period ending in September of the previous calendar year. The  
16 adjusted thresholds must be rounded to the nearest one dollar. If the  
17 change in the consumer price index is less than one, the income  
18 threshold for the current year continues to apply.

19 NEW SECTION. Sec. 8. This act is not subject to the expiration  
20 date requirements defined in RCW 82.32.805.

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