
HOUSE BILL 1427

State of Washington

64th Legislature

2015 Regular Session

By Representatives Stokesbary, S. Hunt, Morris, Kilduff, Bergquist, Fey, Buys, Cody, Caldier, Blake, Jinkins, Ormsby, Moeller, Manweller, McBride, Gregerson, Pollet, and Hargrove

Read first time 01/20/15. Referred to Committee on Finance.

1 AN ACT Relating to property tax relief programs available to
2 senior citizens, persons retired because of physical disability,
3 qualifying veterans, and widows or widowers of veterans; amending RCW
4 84.36.381, 84.36.383, 84.36.385, 84.38.020, 84.38.030, and 84.39.010;
5 adding a new section to chapter 84.38 RCW; adding a new section to
6 chapter 84.39 RCW; and creating new sections.

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

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

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

17 (2) It is the legislature's specific public policy objective to
18 promote property tax equity by offering property tax relief, based on
19 their ability to pay, to senior citizens, persons retired because of
20 physical disability, qualifying veterans, and widows or widowers of
21 veterans. It is the legislature's intent to index the qualifying

1 income thresholds for property tax relief programs to inflation and
2 offer additional excess property relief.

3 (3) To measure the effectiveness of this act in achieving the
4 specific public policy objective described in subsection (2) of this
5 section, the joint legislative audit and review committee must, at
6 minimum, evaluate the following:

7 (a) A comparison of the real-dollar value of each qualifying
8 income threshold in fiscal year 2015 and in the fiscal year of the
9 evaluation; and

10 (b) The number of participants and the total tax relief provided
11 to the participants of the tax preference under RCW 84.36.381(7).

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

15 (a) The consumer price index for all urban consumers (CPI-U) as
16 published by bureau of labor statistics of the United States
17 department of labor;

18 (b) Reports of senior and disabled relief for the county,
19 provided by county assessors to the department of revenue; and

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

24 (5) The definitions in this subsection apply throughout this
25 section unless the context clearly requires otherwise.

26 (a) "Qualifying income thresholds" has the same meaning as
27 provided in RCW 84.36.383, 84.38.020, and 84.39.010.

28 (b) "Real-dollar value" means a dollar value that has been
29 adjusted for inflation.

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

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

36 (1) The property taxes must have been imposed upon a residence
37 which was occupied by the person claiming the exemption as a
38 principal place of residence as of the time of filing. However, any
39 person who sells, transfers, or is displaced from his or her

1 residence may transfer his or her exemption status to a replacement
2 residence, but no claimant may receive an exemption on more than one
3 residence in any year. Moreover, confinement of the person to a
4 hospital, nursing home, assisted living facility, or adult family
5 home does not disqualify the claim of exemption if:

6 (a) The residence is temporarily unoccupied;

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

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

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

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

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

27 (ii) A veteran of the armed forces of the United States entitled
28 to and receiving compensation from the United States department of
29 veterans affairs at a total disability rating for a service-connected
30 disability.

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

36 (4) The amount that the person is exempt from an obligation to
37 pay is calculated on the basis of combined disposable income, as
38 defined in RCW 84.36.383. If the person claiming the exemption was
39 retired for two months or more of the assessment year, the combined
40 disposable income of such person must be calculated by multiplying

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

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

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

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

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

1 value on January 1st of the assessment year in which the person
2 requalifies. If the person transfers the exemption under this section
3 to a different residence, the valuation of the different residence is
4 the assessed value of the different residence on January 1st of the
5 assessment year in which the person transfers the exemption.

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

9 (c) This subsection does not apply to subsequent improvements to
10 the property in the year in which the improvements are made.
11 Subsequent improvements to the property must be added to the value
12 otherwise determined under this subsection at their true and fair
13 value in the year in which they are made.

14 (7) A person who otherwise qualifies under this section and has a
15 combined disposable income greater than income threshold 3 is exempt
16 from legal obligation to pay any amount of excess property taxes that
17 exceeds the amount their combined disposable income is greater than
18 income threshold 3.

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

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

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

38 (2) The term "real property" also includes a mobile home which
39 has substantially lost its identity as a mobile unit by virtue of its

1 being fixed in location upon land owned or leased by the owner of the
2 mobile home and placed on a foundation (posts or blocks) with fixed
3 pipe, connections with sewer, water, or other utilities. A mobile
4 home located on land leased by the owner of the mobile home is
5 subject, for tax billing, payment, and collection purposes, only to
6 the personal property provisions of chapter 84.56 RCW and RCW
7 84.60.040.

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

9 (4) "Combined disposable income" means the disposable income of
10 the person claiming the exemption, plus the disposable income of his
11 or her spouse or domestic partner, and the disposable income of each
12 cotenant occupying the residence for the assessment year, less
13 amounts paid by the person claiming the exemption or his or her
14 spouse or domestic partner during the assessment year for:

15 (a) Drugs supplied by prescription of a medical practitioner
16 authorized by the laws of this state or another jurisdiction to issue
17 prescriptions;

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

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

23 (5) "Disposable income" means adjusted gross income as defined in
24 the federal internal revenue code, as amended prior to January 1,
25 1989, or such subsequent date as the director may provide by rule
26 consistent with the purpose of this section, plus all of the
27 following items to the extent they are not included in or have been
28 deducted from adjusted gross income:

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

32 (b) Amounts deducted for loss;

33 (c) Amounts deducted for depreciation;

34 (d) Pension and annuity receipts;

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

37 (f) Veterans benefits, other than:

38 (i) Attendant-care payments;

39 (ii) Medical-aid payments;

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

4 (iv) Dependency and indemnity compensation, as defined in Title
5 38, part 3, section 3.5 of the code of federal regulations, as of
6 January 1, 2008;

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

8 (h) Dividend receipts; and

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

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

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

17 (8) "Income threshold 1" means a combined disposable income equal
18 to twenty-five thousand dollars or less, annually adjusted for
19 inflation beginning in calendar year 2016, as provided in RCW
20 84.36.385(7).

21 (9) "Income threshold 2" means a combined disposable income of
22 thirty thousand dollars or less but greater than twenty-five thousand
23 dollars, annually adjusted for inflation beginning in calendar year
24 2016, as provided in RCW 84.36.385(7).

25 (10) "Income threshold 3" means a combined disposable income of
26 thirty-five thousand dollars or less but greater than thirty thousand
27 dollars, annually adjusted for inflation beginning in calendar year
28 2016, as provided in RCW 84.36.385(7).

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

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

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

1 for no more than six years unless a renewal application is filed as
2 provided in subsection (3) of this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (2) The claimant must be sixty years of age or older on December
9 31st of the year in which the deferral claim is filed, or must have
10 been, at the time of filing, retired from regular gainful employment
11 by reason of physical disability: PROVIDED, That any surviving spouse
12 or surviving domestic partner of a person who was receiving a
13 deferral at the time of the person's death shall qualify if the
14 surviving spouse or surviving domestic partner is fifty-seven years
15 of age or older and otherwise meets the requirements of this section.

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

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

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

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

37 NEW SECTION. **Sec. 7.** A new section is added to chapter 84.38
38 RCW to read as follows:

1 The department must annually update the income threshold,
2 following the requirements defined in RCW 84.36.385(7).

3 **Sec. 8.** RCW 84.39.010 and 2005 c 253 s 1 are each amended to
4 read as follows:

5 A person is entitled to a property tax exemption in the form of a
6 grant as provided in this chapter. The person is entitled to
7 assistance for the payment of all or a portion of the amount of
8 excess and regular real property taxes imposed on the person's
9 residence in the year in which a claim is filed in accordance with
10 the following:

11 (1) The claimant must meet all requirements for an exemption for
12 the residence under RCW 84.36.381, other than the income limits under
13 RCW 84.36.381.

14 (2)(a) The person making the claim must be:

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

19 (ii) A widow or widower of a veteran who:

20 (A) Died as a result of a service-connected disability;

21 (B) Was rated as one hundred percent disabled by the United
22 States veterans' administration for the ten years prior to his or her
23 death;

24 (C) Was a former prisoner of war as substantiated by the United
25 States veterans' administration and was rated as one hundred percent
26 disabled by the United States veterans' administration for one or
27 more years prior to his or her death; or

28 (D) Died on active duty or in active training status as a member
29 of the United States uniformed services, reserves, or national guard;
30 and

31 (b) The person making the claim must not have remarried.

32 (3) The claimant must have a combined disposable income (~~of~~
33 ~~forty thousand dollars or less~~) equal to or less than income
34 threshold 3.

35 (4) The claimant must have owned, at the time of filing, the
36 residence on which the real property taxes have been imposed. For
37 purposes of this subsection, a residence owned by cotenants shall be
38 deemed to be owned by each cotenant. A claimant who has only a share

1 ownership in cooperative housing, a life estate, a lease for life, or
2 a revocable trust does not satisfy the ownership requirement.

3 (5) A person who otherwise qualifies under this section is
4 entitled to assistance in an amount equal to regular and excess
5 property taxes imposed on the difference between the value of the
6 residence eligible for exemption under RCW 84.36.381(5) and:

7 (a) The first one hundred thousand dollars of assessed value of
8 the residence for a person who has a combined disposable income (~~of~~
9 ~~thirty thousand dollars or less~~) equal to or less than income
10 threshold 1;

11 (b) The first seventy-five thousand dollars of assessed value of
12 the residence for a person who has a combined disposable income (~~of~~
13 ~~thirty five thousand dollars or less but greater than thirty thousand~~
14 ~~dollars~~) equal to or less than income threshold 2 but greater than
15 income threshold 1; or

16 (c) The first fifty thousand dollars of assessed value of the
17 residence for a person who has a combined disposable income (~~of~~
18 ~~forty thousand dollars or less but greater than thirty five thousand~~
19 ~~dollars~~) equal to or less than income threshold 3 but greater than
20 income threshold 2.

21 (6) (~~As used in~~) For the purposes of this section:

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

25 (b) "Income threshold 2" means a combined disposable income of
26 thirty-five thousand dollars or less but greater than thirty thousand
27 dollars, annually adjusted for inflation beginning in calendar year
28 2016, as provided in RCW 84.36.385(7).

29 (c) "Income threshold 3" means a combined disposable income of
30 forty thousand dollars or less but greater than thirty-five thousand
31 dollars, annually adjusted for inflation beginning in calendar year
32 2016, as provided in RCW 84.36.385(7).

33 (d) "Veteran" has the same meaning as provided under RCW
34 41.04.005.

35 (~~(b)~~) (e) The meanings attributed in RCW 84.36.383 to the terms
36 "residence," "combined disposable income," "disposable income," and
37 "disability" apply equally to this section.

38 NEW SECTION. Sec. 9. A new section is added to chapter 84.39
39 RCW to read as follows:

1 The department must annually update the income threshold,
2 following the requirements defined in RCW 84.36.385(7).

3 NEW SECTION. **Sec. 10.** This act is not subject to the expiration
4 date requirements defined in RCW 82.32.805.

5 NEW SECTION. **Sec. 11.** This act applies to the taxes levied for
6 collection in 2016 and thereafter.

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