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HOUSE BILL 2535

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State of Washington                      64th Legislature                      2016 Regular Session

By Representatives Stokesbary, Kilduff, Hargrove, Pollet, and Bergquist

Read first time 01/14/16. 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, and 84.39.010; reenacting  
5 and amending RCW 84.38.030; adding a new section to chapter 84.38  
6 RCW; adding a new section to chapter 84.39 RCW; and creating new  
7 sections.

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

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

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

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

1 veterans. It is the legislature's intent to index the qualifying  
2 income thresholds for property tax relief programs to inflation.

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, perform a comparison of the real-dollar value of each  
7 qualifying income threshold in fiscal year 2016 and in the fiscal  
8 year of evaluation.

9 (4) In order to obtain the data necessary to perform the review  
10 under this section, the joint legislative audit and review committee  
11 may:

12 (a) Refer to the consumer price index for all urban consumers  
13 (CPI-U) as published by the bureau of labor statistics of the United  
14 States department of labor;

15 (b) Refer to reports of senior and disabled relief for the  
16 county, provided by county assessors to the department of revenue;  
17 and

18 (c) In addition to the data sources described under this section,  
19 use any other data it deems necessary in performing the evaluation  
20 under subsection (3) of this section.

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

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

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

27 **Sec. 2.** RCW 84.36.381 and 2015 3rd sp.s. c 30 s 2 are each  
28 amended to read as follows:

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

33 (1) The property taxes must have been imposed upon a residence  
34 which was occupied by the person claiming the exemption as a  
35 principal place of residence as of the time of filing. However, any  
36 person who sells, transfers, or is displaced from his or her  
37 residence may transfer his or her exemption status to a replacement  
38 residence, but no claimant may receive an exemption on more than one  
39 residence in any year. Moreover, confinement of the person to a

1 hospital, nursing home, assisted living facility, or adult family  
2 home does not disqualify the claim of exemption if:

3 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

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

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

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

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

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

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

1 different residence on January 1st of the assessment year in which  
2 the person transfers the exemption.

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

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

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

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

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

30 (2) The term "real property" also includes a mobile home which  
31 has substantially lost its identity as a mobile unit by virtue of its  
32 being fixed in location upon land owned or leased by the owner of the  
33 mobile home and placed on a foundation (posts or blocks) with fixed  
34 pipe, connections with sewer, water, or other utilities. A mobile  
35 home located on land leased by the owner of the mobile home is  
36 subject, for tax billing, payment, and collection purposes, only to  
37 the personal property provisions of chapter 84.56 RCW and RCW  
38 84.60.040.

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

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

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

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

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

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

30 (i) Attendant-care payments;

31 (ii) Medical-aid payments;

32 (iii) Disability compensation, as defined in Title 38, part 3,  
33 section 3.4 of the code of federal regulations, as of January 1,  
34 2008; and

35 (iv) Dependency and indemnity compensation, as defined in Title  
36 38, part 3, section 3.5 of the code of federal regulations, as of  
37 January 1, 2008;

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

39 (h) Dividend receipts; and

40 (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) "Income threshold 1" means a combined disposable income equal  
9 to thirty thousand dollars or less, annually adjusted for inflation  
10 beginning in calendar year 2017, as provided in RCW 84.36.385(7).

11 (9) "Income threshold 2" means a combined disposable income of  
12 thirty-five thousand dollars or less but greater than thirty thousand  
13 dollars, annually adjusted for inflation beginning in calendar year  
14 2017, as provided in RCW 84.36.385(7).

15 (10) "Income threshold 3" means a combined disposable income of  
16 forty thousand dollars but less than thirty-five thousand dollars,  
17 annually adjusted for inflation beginning in calendar year 2017, as  
18 provided in RCW 84.36.385(7).

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

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

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

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

35 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and  
36 thereafter((τ)) must file with the county assessor a renewal  
37 application not later than December 31 of the year the assessor  
38 notifies such person of the requirement to file the renewal

1 application. Renewal applications must be on forms prescribed and  
2 furnished by the department of revenue.

3 (4) At least once every six years, the county assessor must  
4 notify those persons receiving an exemption from taxes under RCW  
5 84.36.381 of the requirement to file a renewal application. The  
6 county assessor may also require a renewal application following an  
7 amendment of the income requirements set forth in RCW 84.36.381.

8 (5) If the assessor finds that the applicant does not meet the  
9 qualifications as set forth in RCW 84.36.381, as now or hereafter  
10 amended, the claim or exemption must be denied but such denial is  
11 subject to appeal under the provisions of RCW 84.48.010 and in  
12 accordance with the provisions of RCW 84.40.038. If the applicant had  
13 received exemption in prior years based on erroneous information, the  
14 taxes must be collected subject to penalties as provided in RCW  
15 84.40.130 for a period of not to exceed five years.

16 (6) The department and each local assessor is hereby directed to  
17 publicize the qualifications and manner of making claims under RCW  
18 84.36.381 through 84.36.389, through communications media, including  
19 such paid advertisements or notices as it deems appropriate. Notice  
20 of the qualifications, method of making applications, the penalties  
21 for not reporting a change in status, and availability of further  
22 information must be included on or with property tax statements and  
23 revaluation notices for all residential property including mobile  
24 homes, except rental properties.

25 (7) The department must annually publish updated income  
26 thresholds by January 1st of each year. The department must adjust  
27 income threshold 1, income threshold 2, and income threshold 3, to  
28 reflect the increase in the unadjusted consumer price index over the  
29 twelve-month period ending in September of the previous calendar  
30 year. The adjusted income thresholds apply for the applications  
31 submitted in the current calendar years. The adjusted thresholds must  
32 be rounded to the nearest one dollar. If the change in the consumer  
33 price index is less than one, the income threshold for the current  
34 year continues to apply.

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

37 ~~((Unless a different meaning is plainly required by the context,~~  
38 ~~the following words and phrases as hereinafter used in this chapter~~  
39 ~~shall have the following meanings:)) The definitions in this section~~



1 apply throughout this chapter unless the context clearly requires  
2 otherwise.

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

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

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

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

15 (4) "Income threshold" means a combined disposable income of  
16 forty-five thousand dollars or less, annually adjusted for inflation  
17 beginning in calendar year 2017, as provided in RCW 84.36.385(7).

18 (5) "Local government" means any city, town, county, water-sewer  
19 district, public utility district, port district, irrigation  
20 district, flood control district, or any other municipal corporation,  
21 quasi-municipal corporation, or other political subdivision  
22 authorized to levy special assessments.

23 ~~((+5))~~ (6) "Real property taxes" means ad valorem property taxes  
24 levied on a residence in this state in the preceding calendar year.

25 ~~((+6))~~ (7) "Residence" has the meaning given in RCW 84.36.383.

26 ~~((+7))~~ (8) "Special assessment" means the charge or obligation  
27 imposed by a local government upon property specially benefited.

28 **Sec. 6.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86  
29 s 313 are each reenacted and amended to read as follows:

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

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

37 (2) The claimant must be sixty years of age or older on December  
38 31st of the year in which the deferral claim is filed, or must have  
39 been, at the time of filing, retired from regular gainful employment

1 by reason of disability as defined in RCW 84.36.383. However, any  
2 surviving spouse or surviving domestic partner of a person who was  
3 receiving a deferral at the time of the person's death qualifies if  
4 the surviving spouse or surviving domestic partner is fifty-seven  
5 years of age or older and otherwise meets the requirements of this  
6 section.

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

10 (4) The claimant must have owned, at the time of filing, the  
11 residence on which the special assessment and/or real property taxes  
12 have been imposed. For purposes of this subsection, a residence owned  
13 by a marital community, owned by domestic partners, or owned by  
14 cotenants is deemed to be owned by each spouse, each domestic  
15 partner, or each cotenant. A claimant who has only a share ownership  
16 in cooperative housing, a life estate, a lease for life, or a  
17 revocable trust does not satisfy the ownership requirement.

18 (5) The claimant must have and keep in force fire and casualty  
19 insurance in sufficient amount to protect the interest of the state  
20 in the claimant's equity value. However, if the claimant fails to  
21 keep fire and casualty insurance in force to the extent of the  
22 state's interest in the claimant's equity value, the amount deferred  
23 may not exceed one hundred percent of the claimant's equity value in  
24 the land or lot only.

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

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

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

32 **Sec. 8.** RCW 84.39.010 and 2015 c 86 s 314 are each amended to  
33 read as follows:

34 A person is entitled to a property tax exemption in the form of a  
35 grant as provided in this chapter. The person is entitled to  
36 assistance for the payment of all or a portion of the amount of  
37 excess and regular real property taxes imposed on the person's

1 residence in the year in which a claim is filed in accordance with  
2 the following:

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

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

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

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

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

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

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

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

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

24 (3) The claimant must have a combined disposable income (~~of~~  
25 ~~forty thousand dollars or less~~) equal to or less than income  
26 threshold 3.

27 (4) The claimant must have owned, at the time of filing, the  
28 residence on which the real property taxes have been imposed. For  
29 purposes of this subsection, a residence owned by cotenants is deemed  
30 to be owned by each cotenant. A claimant who has only a share  
31 ownership in cooperative housing, a life estate, a lease for life, or  
32 a revocable trust does not satisfy the ownership requirement.

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

37 (a) The first one hundred thousand dollars of assessed value of  
38 the residence for a person who has a combined disposable income (~~of~~  
39 ~~thirty thousand dollars or less~~) equal to or less than income  
40 threshold 1;

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

6 (c) The first fifty thousand dollars of assessed value of the  
7 residence for a person who has a combined disposable income (~~of~~  
8 ~~forty thousand dollars or less but greater than thirty-five thousand~~  
9 ~~dollars~~).

10 ~~(6) As used in this section:~~

11 ~~(a))~~ equal to or less than income threshold 3 but greater than  
12 income threshold 2.

13 (6) For the purposes of this section:

14 (a) "Income threshold 1" means a combined disposable income equal  
15 to thirty thousand dollars or less, annually adjusted for inflation  
16 beginning in calendar year 2017, as provided in RCW 84.36.385(7).

17 (b) "Income threshold 2" means a combined disposable income of  
18 thirty-five thousand dollars or less but greater than thirty thousand  
19 dollars, annually adjusted for inflation beginning in calendar year  
20 2017, as provided in RCW 84.36.385(7).

21 (c) "Income threshold 3" means a combined disposable income of  
22 forty thousand dollars or less but greater than thirty-five thousand  
23 dollars, annually adjusted for inflation beginning in calendar year  
24 2017, as provided in RCW 84.36.385(7).

25 (d) "Veteran" has the same meaning as provided under RCW  
26 41.04.005.

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

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

32 The department must annually update income threshold 1, income  
33 threshold 2, and income threshold 3, following the requirements  
34 defined in RCW 84.36.385(7).

35 NEW SECTION. Sec. 10. This act is not subject to the expiration  
36 date requirements defined in RCW 82.32.805.

1        NEW SECTION.    **Sec. 11.**    This act applies to the taxes levied for  
2    collection in 2017 and thereafter.

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