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HOUSE BILL 2759

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State of Washington

64th Legislature

2016 Regular Session

By Representatives Wylie, S. Hunt, Reykdal, Rossetti, Kilduff, and Stanford

Read first time 01/20/16. Referred to Committee on Finance.

1 AN ACT Relating to property tax exemptions for service-connected  
2 disabled veterans and senior citizens; amending RCW 84.36.381,  
3 84.36.383, 84.36.385, and 84.38.020; reenacting and amending RCW  
4 84.38.030; creating new sections; and providing effective dates.

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 section 2  
8 of this act. This performance statement is only intended to be used  
9 for subsequent evaluation of the tax preference. It is not intended  
10 to create a private right of action by any party or be used to  
11 determine eligibility for preferential tax treatment.

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

15 (2) It is the legislature's specific public policy objective to  
16 provide tax relief to senior citizens, disabled persons, and  
17 veterans. The legislature recognizes that property taxes impose a  
18 substantial financial burden on those with fixed incomes and that  
19 property tax relief programs have considerable value in addressing  
20 this burden. It is the legislature's intent to establish a mechanism

1 for adjusting income thresholds into the future. Income thresholds  
2 were last adjusted in 2015.

3 (3) The expansion is meant to be permanent and, therefore, not  
4 subject to the ten-year expiration provision in RCW 82.32.805(1)(a).

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

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

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

20 (a) The residence is temporarily unoccupied;

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

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

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

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

37 (i) Sixty-one years of age or older on December 31st of the year  
38 in which the exemption claim is filed, or must have been, at the time

1 of filing, retired from regular gainful employment by reason of  
2 disability; or

3 (ii) A veteran of the armed forces of the United States entitled  
4 to and receiving compensation from the United States department of  
5 veterans affairs at a total disability rating for a service-connected  
6 disability.

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

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

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

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

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

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

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

25 (c) This subsection does not apply to subsequent improvements to  
26 the property in the year in which the improvements are made.  
27 Subsequent improvements to the property must be added to the value  
28 otherwise determined under this subsection at their true and fair  
29 value in the year in which they are made.

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

32 As used in RCW 84.36.381 through 84.36.389, (~~(except where the~~  
33 ~~context clearly indicates a different meaning)~~) unless the context  
34 clearly requires otherwise:

35 (1) The term "residence" means a single-family dwelling unit  
36 whether such unit be separate or part of a multiunit dwelling,  
37 including the land on which such dwelling stands not to exceed one  
38 acre, except that a residence includes any additional property up to  
39 a total of five acres that comprises the residential parcel if this

1 larger parcel size is required under land use regulations. The term  
2 also includes a share ownership in a cooperative housing association,  
3 corporation, or partnership if the person claiming exemption can  
4 establish that his or her share represents the specific unit or  
5 portion of such structure in which he or she resides. The term also  
6 includes a single-family dwelling situated upon lands the fee of  
7 which is vested in the United States or any instrumentality thereof  
8 including an Indian tribe or in the state of Washington, and  
9 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
10 residence is deemed real property.

11 (2) The term "real property" also includes a mobile home which  
12 has substantially lost its identity as a mobile unit by virtue of its  
13 being fixed in location upon land owned or leased by the owner of the  
14 mobile home and placed on a foundation (posts or blocks) with fixed  
15 pipe, connections with sewer, water, or other utilities. A mobile  
16 home located on land leased by the owner of the mobile home is  
17 subject, for tax billing, payment, and collection purposes, only to  
18 the personal property provisions of chapter 84.56 RCW and RCW  
19 84.60.040.

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

21 (4) "Combined disposable income" means the disposable income of  
22 the person claiming the exemption, plus the disposable income of his  
23 or her spouse or domestic partner, and the disposable income of each  
24 cotenant occupying the residence for the assessment year, less  
25 amounts paid by the person claiming the exemption or his or her  
26 spouse or domestic partner during the assessment year for:

27 (a) Drugs supplied by prescription of a medical practitioner  
28 authorized by the laws of this state or another jurisdiction to issue  
29 prescriptions;

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

33 (~~Health care insurance premiums for medicare under Title~~  
34 ~~XVIII of the social security act~~) Health care insurance premiums for  
35 health care coverage, including dental coverage, vision coverage,  
36 copayments, and for medicare under Title XVIII of the social security  
37 act;

38 (d) Durable medical equipment and mobility enhancing equipment,  
39 as defined in RCW 82.08.0283; and

40 (e) Long-term care insurance, as defined in RCW 48.84.020.

1 (5) "Disposable income" means adjusted gross income as defined in  
2 the federal internal revenue code, as amended prior to January 1,  
3 1989, or such subsequent date as the director may provide by rule  
4 consistent with the purpose of this section, plus all of the  
5 following items to the extent they are not included in or have been  
6 deducted from adjusted gross income:

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

10 (b) Amounts deducted for loss;

11 (c) Amounts deducted for depreciation;

12 (d) Pension and annuity receipts;

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

15 (f) Veterans benefits, other than:

16 (i) Attendant-care payments;

17 (ii) Medical-aid payments;

18 (iii) Disability compensation, as defined in Title 38, part 3,  
19 section 3.4 of the code of federal regulations, as of January 1,  
20 2008; and

21 (iv) Dependency and indemnity compensation, as defined in Title  
22 38, part 3, section 3.5 of the code of federal regulations, as of  
23 January 1, 2008;

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

25 (h) Dividend receipts; and

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

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

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

34 (8) "Income threshold 1" means a combined disposable income equal  
35 to the greater of thirty thousand dollars or forty-five percent of  
36 the county median household income, adjusted by January 1, 2019, and  
37 January 1st of every fifth year thereafter, as provided in RCW  
38 84.36.385(7).

39 (9) "Income threshold 2" means a combined disposable income equal  
40 to the greater of thirty-five thousand dollars or fifty-five percent

1 of the county median household income, adjusted by January 1, 2019,  
2 and January 1st of every fifth year thereafter, as provided in RCW  
3 84.36.385(7).

4 (10) "Income threshold 3" means a combined disposable income  
5 equal to the greater of forty thousand dollars or sixty-five percent  
6 of the county median household income, adjusted by January 1, 2019,  
7 and January 1st of every fifth year thereafter, as provided in RCW  
8 84.36.385(7).

9 (11) "County median household income" means the median household  
10 income estimates by county for the county of the legal address of the  
11 principal place of residence, as published by the office of financial  
12 management.

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

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

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

26 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and  
27 thereafter((~~7~~)) must file with the county assessor a renewal  
28 application not later than December 31~~st~~ of the year the assessor  
29 notifies such person of the requirement to file the renewal  
30 application. Renewal applications must be on forms prescribed and  
31 furnished by the department of revenue.

32 (4) At least once every six years, the county assessor must  
33 notify those persons receiving an exemption from taxes under RCW  
34 84.36.381 of the requirement to file a renewal application. The  
35 county assessor may also require a renewal application following an  
36 amendment of the income requirements set forth in RCW 84.36.381.

37 (5) If the assessor finds that the applicant does not meet the  
38 qualifications as set forth in RCW 84.36.381, as now or hereafter  
39 amended, the claim or exemption must be denied but such denial is

1 subject to appeal under the provisions of RCW 84.48.010 and in  
2 accordance with the provisions of RCW 84.40.038. If the applicant had  
3 received exemption in prior years based on erroneous information, the  
4 taxes must be collected subject to penalties as provided in RCW  
5 84.40.130 for a period of not to exceed five years.

6 (6) The department and each local assessor is hereby directed to  
7 publicize the qualifications and manner of making claims under RCW  
8 84.36.381 through 84.36.389, through communications media, including  
9 such paid advertisements or notices as it deems appropriate. Notice  
10 of the qualifications, method of making applications, the penalties  
11 for not reporting a change in status, and availability of further  
12 information must be included on or with property tax statements and  
13 revaluation notices for all residential property including mobile  
14 homes, except rental properties.

15 (7) The department must publish updated income thresholds by  
16 January 1, 2019, and January 1st of every fifth year thereafter. The  
17 department must adjust the income thresholds to reflect the most  
18 recent year of available county median household income estimates.  
19 The department may not adjust the income thresholds to reflect state  
20 median household income preliminary estimate projections. The  
21 adjusted thresholds must be rounded to the nearest one dollar. If the  
22 income threshold adjustment is negative, the income threshold for the  
23 current year continues to apply.

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

26 ~~((Unless a different meaning is plainly required by the context,~~  
27 ~~the following words and phrases as hereinafter used in this chapter~~  
28 ~~shall have the following meanings:)) The definitions in this section  
29 apply throughout this chapter unless the context clearly requires  
30 otherwise.~~

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

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

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



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

5       (3) "Income threshold" means a combined disposable income equal  
6 to the greater of forty-five thousand dollars, or seventy-five  
7 percent of the county median household income, adjusted by January 1,  
8 2019, and January 1st of every fifth year thereafter, as provided in  
9 RCW 84.36.385(7).

10       (4) "Local government" means any city, town, county, water-sewer  
11 district, public utility district, port district, irrigation  
12 district, flood control district, or any other municipal corporation,  
13 quasi-municipal corporation, or other political subdivision  
14 authorized to levy special assessments.

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

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

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

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

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

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

29       (2) The claimant must be sixty years of age or older on December  
30 31st of the year in which the deferral claim is filed, or must have  
31 been, at the time of filing, retired from regular gainful employment  
32 by reason of disability as defined in RCW 84.36.383. However, any  
33 surviving spouse or surviving domestic partner of a person who was  
34 receiving a deferral at the time of the person's death qualifies if  
35 the surviving spouse or surviving domestic partner is fifty-seven  
36 years of age or older and otherwise meets the requirements of this  
37 section.

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

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

12 (5) The claimant must have and keep in force fire and casualty  
13 insurance in sufficient amount to protect the interest of the state  
14 in the claimant's equity value. However, if the claimant fails to  
15 keep fire and casualty insurance in force to the extent of the  
16 state's interest in the claimant's equity value, the amount deferred  
17 may not exceed one hundred percent of the claimant's equity value in  
18 the land or lot only.

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

22 NEW SECTION. **Sec. 7.** This act applies to taxes levied for  
23 collection in 2019 and thereafter.

24 NEW SECTION. **Sec. 8.** This act is not subject to the  
25 requirements provided in RCW 82.32.805 and 82.32.808. This act is not  
26 subject to an expiration date.

27 NEW SECTION. **Sec. 9.** (1) Except for section 3 of this act, this  
28 act takes effect July 1, 2019.

29 (2) Section 3 of this act takes effect January 1, 2017.

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