
SUBSTITUTE SENATE BILL 6251

State of Washington

65th Legislature

2018 Regular Session

By Senate Ways & Means (originally sponsored by Senators Dhingra, Kuderer, Rolfes, Nelson, Palumbo, Wellman, Mullet, Chase, Keiser, Saldaña, and Conway)

READ FIRST TIME 02/06/18.

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; and creating new sections.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preference contained in section 2,
8 chapter . . . , Laws of 2018 (section 2 of this act). This performance
9 statement is only intended to be used for subsequent evaluation of
10 the tax preference. It is not intended to create a private right of
11 action by any party or be used to determine eligibility for
12 preferential tax treatment.

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

16 (3) It is the legislature's specific public policy objective to
17 provide tax relief to senior citizens, disabled persons, and
18 veterans. The legislature recognizes that property taxes impose a
19 substantial financial burden on those with fixed incomes and that
20 property tax relief programs have considerable value in addressing
21 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 **Sec. 2.** RCW 84.36.381 and 2017 3rd sp.s. c 13 s 311 are each
4 amended to read as follows:

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

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

18 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

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

27 (5)(a) A person who otherwise qualifies under this section and
28 has a combined disposable income (~~(of forty thousand dollars or~~
29 ~~less)) equal to or less than income threshold 3 is exempt from all
30 excess property taxes and the additional state property tax imposed
31 under RCW 84.52.065(2); and~~

32 (b)(i) A person who otherwise qualifies under this section and
33 has a combined disposable income (~~(of thirty five thousand dollars or~~
34 ~~less but greater than thirty thousand dollars)) equal to or less than
35 income threshold 2 but greater than income threshold 1 is exempt from
36 all regular property taxes on the greater of fifty thousand dollars
37 or thirty-five percent of the valuation of his or her residence, but
38 not to exceed seventy thousand dollars of the valuation of his or her
39 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 (c) Health care insurance premiums for medicare under Title XVIII
34 of the social security act.

35 (5) "Disposable income" means adjusted gross income as defined in
36 the federal internal revenue code, as amended prior to January 1,
37 1989, or such subsequent date as the director may provide by rule
38 consistent with the purpose of this section, plus all of the
39 following items to the extent they are not included in or have been
40 deducted from adjusted gross income:

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

4 (b) Amounts deducted for loss;

5 (c) Amounts deducted for depreciation;

6 (d) Pension and annuity receipts;

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

9 (f) Veterans benefits, other than:

10 (i) Attendant-care payments;

11 (ii) Medical-aid payments;

12 (iii) Disability compensation, as defined in Title 38, part 3,
13 section 3.4 of the code of federal regulations, as of January 1,
14 2008; and

15 (iv) Dependency and indemnity compensation, as defined in Title
16 38, part 3, section 3.5 of the code of federal regulations, as of
17 January 1, 2008;

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

19 (h) Dividend receipts; and

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

21 (6) "Cotenant" means a person who resides with the person
22 claiming the exemption and who has an ownership interest in the
23 residence.

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

28 (8) "Income threshold 1" means:

29 (a) For taxes levied for collection in calendar years prior to
30 2022, a combined disposable income equal to thirty thousand dollars;
31 and

32 (b) For taxes levied for collection in calendar year 2022 and
33 thereafter, a combined disposable income equal to the greater of
34 "income threshold 1" for the previous year or forty-five percent of
35 the county median household income, adjusted every five years
36 beginning January 1, 2021, as provided in RCW 84.36.385(7).

37 (9) "Income threshold 2" means:

38 (a) For taxes levied for collection in calendar years prior to
39 2022, a combined disposable income equal to thirty-five thousand
40 dollars; and

1 (b) For taxes levied for collection in calendar year 2022 and
2 thereafter, a combined disposable income equal to the greater of
3 "income threshold 2" for the previous year or fifty-five percent of
4 the county median household income, adjusted every five years
5 beginning January 1, 2021, as provided in RCW 84.36.385(7).

6 (10) "Income threshold 3" means:

7 (a) For taxes levied for collection in calendar years prior to
8 2022, a combined disposable income equal to forty thousand dollars;
9 and

10 (b) For taxes levied for collection in calendar year 2022 and
11 thereafter, a combined disposable income equal to the greater of
12 "income threshold 3" for the previous year or sixty-five percent of
13 the county median household income, adjusted every five years
14 beginning January 1, 2021, as provided in RCW 84.36.385(7).

15 (11) "County median household income" means the median household
16 income estimates for the state of Washington by county of the legal
17 address of the principal place of residence, as published by the
18 office of financial management.

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

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

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

32 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
33 thereafter((τ)) must file with the county assessor a renewal
34 application not later than December 31st of the year the assessor
35 notifies such person of the requirement to file the renewal
36 application. Renewal applications must be on forms prescribed and
37 furnished by the department of revenue.

38 (4) At least once every six years, the county assessor must
39 notify those persons receiving an exemption from taxes under RCW

1 84.36.381 of the requirement to file a renewal application. The
2 county assessor may also require a renewal application following an
3 amendment of the income requirements set forth in RCW 84.36.381.

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

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

21 (7) Beginning January 1, 2021, and every fifth year thereafter,
22 the department must publish updated income thresholds. The adjusted
23 thresholds must be rounded to the nearest one dollar. If the income
24 threshold adjustment is negative, the income threshold for the prior
25 year continues to apply. The department must adjust income thresholds
26 for each county to reflect the most recent year available of
27 estimated county median household income, including preliminary
28 estimates or projections, as published by the office of financial
29 management. For the purposes of this subsection, "county median
30 household income" has the same meaning as in RCW 84.36.383.

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

33 ~~((Unless a different meaning is plainly required by the context,~~
34 ~~the following words and phrases as hereinafter used in this chapter~~
35 ~~shall have the following meanings:)) The definitions in this section
36 apply throughout this chapter unless the context clearly requires
37 otherwise.~~

38 (1)(a) "Claimant" means a person who either elects or is required
39 under RCW 84.64.050 to defer payment of the special assessments

1 and/or real property taxes accrued on the claimant's residence by
2 filing a declaration to defer as provided by this chapter.

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

6 (2) (~~("Department" means the state department of revenue.~~
7 ~~(3))~~) "Equity value" means the amount by which the fair market
8 value of a residence as determined from the records of the county
9 assessor exceeds the total amount of any liens or other obligations
10 against the property.

11 (3) "Income threshold" means:

12 (a) For taxes levied for collection in calendar years prior to
13 2022, a combined disposable income equal to forty-five thousand
14 dollars; and

15 (b) For taxes levied for collection in calendar year 2022 or
16 thereafter, a combined disposable income equal to the greater of the
17 "income threshold" for the previous year, or seventy-five percent of
18 the county median household income, adjusted every five years
19 beginning January 1, 2021, as provided in RCW 84.36.385(7).

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

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

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

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

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

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

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

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

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

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

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

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

31 NEW SECTION. **Sec. 7.** This act applies to taxes levied for
32 collection in 2022 and thereafter.

33 NEW SECTION. **Sec. 8.** The legislature intends for the tax
34 preference in this act to be permanent; therefore, this act is not
35 subject to the provisions of RCW 82.32.805 and 82.32.808.

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