
HOUSE BILL 1181

State of Washington

66th Legislature

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By Representatives Lekanoff, Pellicciotti, Leavitt, Kilduff, Reeves, Peterson, Pollet, Entenman, Doglio, Valdez, Callan, Senn, Orwall, Wylie, Jinkins, Ortiz-Self, Dolan, Sells, Lovick, Fey, Frame, Slatter, Walen, Bergquist, Tharinger, Goodman, Kloba, and Stanford

Read first time 01/16/19. Referred to Committee on Finance.

1 AN ACT Relating to providing property tax relief for senior
2 citizens and qualifying veterans; amending RCW 84.36.381, 84.36.383,
3 84.36.385, and 84.38.020; reenacting and amending RCW 84.38.030;
4 creating new sections; and providing an effective date.

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

6 **Sec. 1.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to read
7 as follows:

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

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

21 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

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

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

7 (5) (a) A person who otherwise qualifies under this section and
8 has a combined disposable income (~~(of forty thousand dollars or~~
9 ~~less)) equal or less than income threshold 3 is exempt from all
10 excess property taxes, the additional state property tax imposed
11 under RCW 84.52.065(2), and the portion of the regular property taxes
12 authorized pursuant to RCW 84.55.050 and approved by the voters, if
13 the legislative authority of the county or city imposing the
14 additional regular property taxes identified this exemption in the
15 ordinance placing the RCW 84.55.050 measure on the ballot; and~~

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

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

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

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

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

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

13 **Sec. 2.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
14 read as follows:

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

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

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

1 the personal property provisions of chapter 84.56 RCW and RCW
2 84.60.040.

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

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

10 (a) Drugs supplied by prescription of a medical practitioner
11 authorized by the laws of this state or another jurisdiction to issue
12 prescriptions;

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

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

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

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

27 (b) Amounts deducted for loss;

28 (c) Amounts deducted for depreciation;

29 (d) Pension and annuity receipts;

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

32 (f) Veterans benefits, other than:

33 (i) Attendant-care payments;

34 (ii) Medical-aid payments;

35 (iii) Disability compensation, as defined in Title 38, part 3,
36 section 3.4 of the code of federal regulations, as of January 1,
37 2008; and

38 (iv) Dependency and indemnity compensation, as defined in Title
39 38, part 3, section 3.5 of the code of federal regulations, as of
40 January 1, 2008;

- 1 (g) Federal social security act and railroad retirement benefits;
2 (h) Dividend receipts; and
3 (i) Interest received on state and municipal bonds.

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

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

11 (8) "Income threshold 1" means a combined disposable income equal
12 to the greater of "income threshold 1" for the previous year or
13 forty-five percent of the county median household income, adjusted
14 every five years beginning January 1, 2020, as provided in RCW
15 84.36.385(7).

16 (9) "Income threshold 2" means a combined disposable income equal
17 to the greater of "income threshold 2" for the previous year or
18 fifty-five percent of the county median household income, adjusted
19 every five years beginning January 1, 2020, as provided in RCW
20 84.36.385(7).

21 (10) "Income threshold 3" means a combined disposable income
22 equal to the greater of "income threshold 3" for the previous year or
23 sixty-five percent of the county median household income, adjusted
24 every five years beginning January 1, 2020, as provided in RCW
25 84.36.385(7).

26 (11) "County median household income" means the median household
27 income estimates for the state of Washington by county of the legal
28 address of the principal place of residence, as published by the
29 office of financial management.

30 **Sec. 3.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
31 read as follows:

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

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

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

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

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

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

33 (7) Beginning on January 1, 2020, and every fifth year
34 thereafter, the department must publish updated income thresholds.
35 The adjusted thresholds must be rounded to the nearest one dollar. If
36 the income threshold adjustment is negative, the income threshold for
37 the prior year continues to apply. The department must adjust income
38 thresholds for each county to reflect the most recent year available
39 of estimated county median household incomes, including preliminary
40 estimates or projections, as published by the office of financial

1 management. For the purposes of this subsection, "county median
2 household income" has the same meaning as provided in RCW 84.36.383.

3 **Sec. 4.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to read
4 as follows:

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

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

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

17 (2) ~~((("Department" means the state department of revenue.~~
18 ~~(3)) "Equity value" means the amount by which the fair market~~
19 value of a residence as determined from the records of the county
20 assessor exceeds the total amount of any liens or other obligations
21 against the property.

22 (3) "Income threshold" means a combined disposable income equal
23 to the greater of the "income threshold" for the previous year, or
24 seventy-five percent of the county median household income, adjusted
25 every five years beginning January 1, 2020, as provided in RCW
26 84.36.385(7).

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

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

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

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

37 **Sec. 5.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
38 s 313 are each reenacted and amended to 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 disability as defined in RCW 84.36.383. However, any
12 surviving spouse or surviving domestic partner of a person who was
13 receiving a deferral at the time of the person's death qualifies if
14 the surviving spouse or surviving domestic partner is fifty-seven
15 years of age or older and otherwise meets the requirements of this
16 section.

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

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

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

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

38 NEW SECTION. **Sec. 6.** This act applies for taxes levied for
39 collection in 2020 and thereafter.

1 NEW SECTION. **Sec. 7.** The provision of RCW 82.32.805 and
2 82.32.808 do not apply to this act.

3 NEW SECTION. **Sec. 8.** If any provision of this act or its
4 application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

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