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HOUSE BILL 2026

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State of Washington

68th Legislature

2024 Regular Session

By Representatives Doglio, Bateman, Ryu, Ramel, Reed, and Kloba

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1 AN ACT Relating to rental income received by people eligible for  
2 certain property tax exemption programs; amending RCW 84.36.383; and  
3 creating new sections.

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

5 **Sec. 1.** RCW 84.36.383 and 2023 c 147 s 2 are each amended to  
6 read as follows:

7 As used in RCW 84.36.381 through 84.36.389, unless the context  
8 clearly requires otherwise:

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

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

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

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

1 (d) Costs related to medicare supplemental policies as defined in  
2 Title 42 U.S.C. Sec. 1395ss;

3 (e) Durable medical equipment, mobility enhancing equipment,  
4 medically prescribed oxygen, and prosthetic devices as defined in RCW  
5 82.08.0283;

6 (f) Long-term care insurance as defined in RCW 48.84.020;

7 (g) Cost-sharing amounts as defined in RCW 48.43.005;

8 (h) Nebulizers as defined in RCW 82.08.803;

9 (i) Medicines of mineral, animal, and botanical origin  
10 prescribed, administered, dispensed, or used in the treatment of an  
11 individual by a person licensed under chapter 18.36A RCW;

12 (j) Ostomic items as defined in RCW 82.08.804;

13 (k) Insulin for human use;

14 (l) Kidney dialysis devices; (~~and~~)

15 (m) Disposable devices used to deliver drugs for human use as  
16 defined in RCW 82.08.935; and

17 (n) Income received from the rental of living space in the  
18 person's principal place of residence.

19 (2) "Cotenant" means a person who resides with the person  
20 claiming the exemption and who has an ownership interest in the  
21 residence.

22 (3) "County median household income" means the median household  
23 income estimates for the state of Washington by county of the legal  
24 address of the principal place of residence, as published by the  
25 office of financial management.

26 (4) "Department" means the state department of revenue.

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

31 (6) "Disposable income" means adjusted gross income as defined in  
32 the federal internal revenue code, as amended prior to January 1,  
33 1989, or such subsequent date as the director may provide by rule  
34 consistent with the purpose of this section, plus all of the  
35 following items to the extent they are not included in or have been  
36 deducted from adjusted gross income:

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

40 (b) Amounts deducted for loss;

1 (c) Amounts deducted for depreciation;  
2 (d) Pension and annuity receipts;  
3 (e) Military pay and benefits other than attendant-care and  
4 medical-aid payments;  
5 (f) Veterans benefits, other than:  
6 (i) Attendant-care payments;  
7 (ii) Medical-aid payments;  
8 (iii) Disability compensation, as defined in Title 38, part 3,  
9 section 3.4 of the Code of Federal Regulations, as of January 1,  
10 2008; and  
11 (iv) Dependency and indemnity compensation, as defined in Title  
12 38, part 3, section 3.5 of the Code of Federal Regulations, as of  
13 January 1, 2008;  
14 (g) Federal social security act and railroad retirement benefits;  
15 (h) Dividend receipts; and  
16 (i) Interest received on state and municipal bonds.  
17 (7) "Income threshold 1" means:  
18 (a) For taxes levied for collection in calendar years prior to  
19 2020, a combined disposable income equal to \$30,000;  
20 (b) For taxes levied for collection in calendar years 2020  
21 through 2023, a combined disposable income equal to the greater of  
22 "income threshold 1" for the previous year or 45 percent of the  
23 county median household income; and  
24 (c) For taxes levied for collection in calendar year 2024 and  
25 thereafter, a combined disposable income equal to the greater of  
26 "income threshold 1" for the previous year or 50 percent of the  
27 county median household income, adjusted every three years beginning  
28 August 1, 2023, as provided in RCW 84.36.385(8).  
29 (8) "Income threshold 2" means:  
30 (a) For taxes levied for collection in calendar years prior to  
31 2020, a combined disposable income equal to \$35,000;  
32 (b) For taxes levied for collection in calendar years 2020  
33 through 2023, a combined disposable income equal to the greater of  
34 "income threshold 2" for the previous year or 55 percent of the  
35 county median household income; and  
36 (c) For taxes levied for collection in calendar year 2024 and  
37 thereafter, a combined disposable income equal to the greater of  
38 "income threshold 2" for the previous year or 60 percent of the  
39 county median household income, adjusted every three years beginning  
40 August 1, 2023, as provided in RCW 84.36.385(8).

1 (9) "Income threshold 3" means:  
2 (a) For taxes levied for collection in calendar years prior to  
3 2020, a combined disposable income equal to \$40,000;  
4 (b) For taxes levied for collection in calendar years 2020  
5 through 2023, a combined disposable income equal to the greater of  
6 "income threshold 3" for the previous year or 65 percent of the  
7 county median household income; and  
8 (c) For taxes levied for collection in calendar year 2024 and  
9 thereafter, a combined disposable income equal to the greater of  
10 "income threshold 3" for the previous year or 70 percent of the  
11 county median household income, adjusted every three years beginning  
12 August 1, 2023, as provided in RCW 84.36.385(8).  
13 (10) "Principal place of residence" means a residence occupied  
14 for more than six months each calendar year by a person claiming an  
15 exemption under RCW 84.36.381.  
16 (11) The term "real property" also includes a mobile home which  
17 has substantially lost its identity as a mobile unit by virtue of its  
18 being fixed in location upon land owned or leased by the owner of the  
19 mobile home and placed on a foundation (posts or blocks) with fixed  
20 pipe, connections with sewer, water, or other utilities. A mobile  
21 home located on land leased by the owner of the mobile home is  
22 subject, for tax billing, payment, and collection purposes, only to  
23 the personal property provisions of chapter 84.56 RCW and RCW  
24 84.60.040.  
25 (12) The term "residence" means a single-family dwelling unit  
26 whether such unit be separate or part of a multiunit dwelling,  
27 including the land on which such dwelling stands not to exceed one  
28 acre, except that a residence includes any additional property up to  
29 a total of five acres that comprises the residential parcel if this  
30 larger parcel size is required under land use regulations. The term  
31 also includes a share ownership in a cooperative housing association,  
32 corporation, or partnership if the person claiming exemption can  
33 establish that his or her share represents the specific unit or  
34 portion of such structure in which he or she resides. The term also  
35 includes a single-family dwelling situated upon lands the fee of  
36 which is vested in the United States or any instrumentality thereof  
37 including an Indian tribe or in the state of Washington, and  
38 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
39 residence is deemed real property.

1        NEW SECTION.    **Sec. 2.**    This act applies to taxes levied for  
2 collection in 2025 and thereafter.

3        NEW SECTION.    **Sec. 3.**    RCW 82.32.805 and 82.32.808 do not apply  
4 to this act. The legislature intends for this tax preference and its  
5 expansion to be permanent.

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