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**SENATE BILL 5679**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senators Fortunato and Nobles

Read first time 02/02/23. Referred to Committee on Ways & Means.

1 AN ACT Relating to modifying the income eligibility requirement  
2 for the senior citizen and persons with disabilities property tax  
3 exemption program; amending RCW 84.36.381, 84.36.383, 84.38.020, and  
4 84.38.030; and creating new sections.

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

6 **Sec. 1.** RCW 84.36.381 and 2019 c 453 s 1 are each amended to  
7 read 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)(a) 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, adult family home,  
20 or home of a relative for the purpose of long-term care does not  
21 disqualify the claim of exemption if:

1 (i) The residence is temporarily unoccupied;

2 (ii) The residence is occupied by a spouse or a domestic partner  
3 and/or a person financially dependent on the claimant for support; or  
4 (iii) The residence is rented for the purpose of paying nursing  
5 home, hospital, assisted living facility, or adult family home costs.

6 (b) For the purpose of this subsection (1), "relative" means any  
7 individual related to the claimant by blood, marriage, or adoption;

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:

27 (A) A combined service-connected evaluation rating of eighty  
28 percent or higher; or

29 (B) A total disability rating for a service-connected disability  
30 without regard to evaluation percent.

31 (b) (~~However, any~~) A surviving spouse or surviving domestic  
32 partner of a person who was receiving an exemption at the time of the  
33 person's death will qualify if the surviving spouse or surviving  
34 domestic partner is (~~fifty-seven~~) 57 years of age or older and  
35 otherwise meets the requirements of this section;

36 (c) A residence owned by a marital community or state registered  
37 domestic partnership, as provided under subsection (2) of this  
38 section, may claim a property tax exemption under this section if at  
39 least one spouse or domestic partner meets the eligibility  
40 requirements of this section;

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

19 (5)(a) A person who otherwise qualifies under this section and  
20 has a ~~((combined))~~ qualifying disposable income equal ~~((to))~~ to or  
21 less than income threshold 3 is exempt from all excess property  
22 taxes, the additional state property tax imposed under RCW  
23 84.52.065(2), and the portion of the regular property taxes  
24 authorized pursuant to RCW 84.55.050 and approved by the voters, if  
25 the legislative authority of the county or city imposing the  
26 additional regular property taxes identified this exemption in the  
27 ordinance placing the RCW 84.55.050 measure on the ballot; and

28 (b)(i) A person who otherwise qualifies under this section and  
29 has a ~~((combined))~~ qualifying disposable income equal to or less than  
30 income threshold 2 but greater than income threshold 1 is exempt from  
31 all regular property taxes on the greater of ~~((fifty thousand  
32 dollars))~~ \$50,000 or ~~((thirty-five))~~ 35 percent of the valuation of  
33 his or her residence, but not to exceed ~~((seventy thousand dollars))~~  
34 \$70,000 of the valuation of his or her residence; or

35 (ii) A person who otherwise qualifies under this section and has  
36 a ~~((combined))~~ qualifying disposable income equal to or less than  
37 income threshold 1 is exempt from all regular property taxes on the  
38 greater of ~~((sixty thousand dollars))~~ \$60,000 or ~~((sixty))~~ 60 percent  
39 of the valuation of his or her residence;

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

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

20 (c) This subsection does not apply to subsequent improvements to  
21 the property in the year in which the improvements are made.  
22 Subsequent improvements to the property must be added to the value  
23 otherwise determined under this subsection at their true and fair  
24 value in the year in which they are made.

25 **Sec. 2.** RCW 84.36.383 and 2021 c 220 s 1 are each amended to  
26 read as follows:

27 As used in RCW 84.36.381 through 84.36.389, unless the context  
28 clearly requires otherwise:

29 (1) "~~((Combined))~~ Qualifying disposable income" means the  
30 disposable income of the person claiming the exemption ~~((, plus the  
31 disposable income of his or her spouse or domestic partner, and the  
32 disposable income of each cotenant occupying the residence for the  
33 assessment year))~~, less amounts paid by the person claiming the  
34 exemption ~~((or his or her spouse or domestic partner))~~ during the  
35 assessment year for:

36 (a) Drugs supplied by prescription of a medical practitioner  
37 authorized by the laws of this state or another jurisdiction to issue  
38 prescriptions;

1 (b) The treatment or care of either person received in the home  
2 or in a nursing home, assisted living facility, or adult family home;  
3 (c) Health care insurance premiums for medicare under Title XVIII  
4 of the social security act;  
5 (d) Costs related to medicare supplemental policies as defined in  
6 Title 42 U.S.C. Sec. 1395ss;  
7 (e) Durable medical equipment, mobility enhancing equipment,  
8 medically prescribed oxygen, and prosthetic devices as defined in RCW  
9 82.08.0283;  
10 (f) Long-term care insurance as defined in RCW 48.84.020;  
11 (g) Cost-sharing amounts as defined in RCW 48.43.005;  
12 (h) Nebulizers as defined in RCW 82.08.803;  
13 (i) Medicines of mineral, animal, and botanical origin  
14 prescribed, administered, dispensed, or used in the treatment of an  
15 individual by a person licensed under chapter 18.36A RCW;  
16 (j) Ostomic items as defined in RCW 82.08.804;  
17 (k) Insulin for human use;  
18 (l) Kidney dialysis devices; and  
19 (m) Disposable devices used to deliver drugs for human use as  
20 defined in RCW 82.08.935.  
21 (2) "Cotenant" means a person who resides with the person  
22 claiming the exemption and who has an ownership interest in the  
23 residence.  
24 (3) "County median household income" means the median household  
25 income estimates for the state of Washington by county of the legal  
26 address of the principal place of residence, as published by the  
27 office of financial management.  
28 (4) "Department" means the state department of revenue.  
29 (5) "Disability" has the same meaning as provided in 42 U.S.C.  
30 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such  
31 subsequent date as the department may provide by rule consistent with  
32 the purpose of this section.  
33 (6) "Disposable income" means adjusted gross income as defined in  
34 the federal internal revenue code, as amended prior to January 1,  
35 1989, or such subsequent date as the director may provide by rule  
36 consistent with the purpose of this section, plus all of the  
37 following items to the extent they are not included in or have been  
38 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 (7) "Income threshold 1" means:

22 (a) For taxes levied for collection in calendar years prior to  
23 2020, a ~~((combined))~~ qualifying disposable income equal to ~~((thirty~~  
24 ~~thousand dollars))~~ \$30,000; and

25 (b) For taxes levied for collection in calendar year 2020 and  
26 thereafter, a ~~((combined))~~ qualifying disposable income equal to the  
27 greater of "income threshold 1" for the previous year or ~~((forty-~~  
28 ~~five))~~ 45 percent of the county median household income, adjusted  
29 every five years beginning August 1, 2019, as provided in RCW  
30 84.36.385(8).

31 (8) "Income threshold 2" means:

32 (a) For taxes levied for collection in calendar years prior to  
33 2020, a ~~((combined))~~ qualifying disposable income equal to ~~((thirty-~~  
34 ~~five thousand dollars))~~ \$35,000; and

35 (b) For taxes levied for collection in calendar year 2020 and  
36 thereafter, a ~~((combined))~~ qualifying disposable income equal to the  
37 greater of "income threshold 2" for the previous year or ~~((fifty-~~  
38 ~~five))~~ 55 percent of the county median household income, adjusted  
39 every five years beginning August 1, 2019, as provided in RCW  
40 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~~) qualifying disposable income equal to (~~forty~~  
4 ~~thousand dollars~~) \$40,000; and

5 (b) For taxes levied for collection in calendar year 2020 and  
6 thereafter, a (~~combined~~) qualifying disposable income equal to the  
7 greater of "income threshold 3" for the previous year or (~~sixty-~~  
8 ~~five~~) 65 percent of the county median household income, adjusted  
9 every five years beginning August 1, 2019, as provided in RCW  
10 84.36.385(8).

11 (10) "Principal place of residence" means a residence occupied  
12 for more than six months each calendar year by a person claiming an  
13 exemption under RCW 84.36.381.

14 (11) The term "real property" also includes a mobile home which  
15 has substantially lost its identity as a mobile unit by virtue of its  
16 being fixed in location upon land owned or leased by the owner of the  
17 mobile home and placed on a foundation (posts or blocks) with fixed  
18 pipe, connections with sewer, water, or other utilities. A mobile  
19 home located on land leased by the owner of the mobile home is  
20 subject, for tax billing, payment, and collection purposes, only to  
21 the personal property provisions of chapter 84.56 RCW and RCW  
22 84.60.040.

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

38 **Sec. 3.** RCW 84.38.020 and 2019 c 453 s 4 are each amended to  
39 read as follows:

1 The definitions in this section apply throughout this chapter  
2 unless the context clearly requires otherwise.

3 (1) (a) "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 (b) When two or more individuals of a household file or seek to  
8 file a declaration to defer, they may determine between them as to  
9 who the claimant is.

10 (2) "Devisee" has the same meaning as provided in RCW 21.35.005.

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) "Heir" has the same meaning as provided in RCW 21.35.005.

16 (5) "Income threshold" means: (a) For taxes levied for collection  
17 in calendar years prior to 2020, a (~~combined~~) qualifying disposable  
18 income equal to (~~forty-five thousand dollars~~) \$45,000; and (b) for  
19 taxes levied for collection in calendar year 2020 and thereafter, a  
20 (~~combined~~) qualifying disposable income equal to the greater of the  
21 income threshold for the previous year, or (~~seventy-five~~) 75  
22 percent of the county median household income, adjusted every five  
23 years beginning August 1, 2019, as provided in RCW 84.36.385(8).  
24 Beginning with the adjustment made by March 1, 2024, as provided in  
25 RCW 84.36.385(8), and every second adjustment thereafter, if the  
26 income threshold in a county is not adjusted based on percentage of  
27 county median income as provided in this subsection, then the income  
28 threshold must be adjusted based on the growth of the consumer price  
29 index for all urban consumers (CPI-U) for the prior (~~twelve~~) 12-  
30 month period as published by the United States bureau of labor  
31 statistics. In no case may the adjustment be greater than one  
32 percent. The adjusted threshold must be rounded to the nearest (~~one~~  
33 ~~dollar~~) \$1. If the income threshold adjustment is negative, the  
34 income threshold for the prior year continues to apply.

35 (6) "Local government" means any city, town, county, water-sewer  
36 district, public utility district, port district, irrigation  
37 district, flood control district, or any other municipal corporation,  
38 quasi-municipal corporation, or other political subdivision  
39 authorized to levy special assessments.



1 (7) "Real property taxes" means ad valorem property taxes levied  
2 on a residence in this state in the preceding calendar year.

3 (8) "Residence" has the meaning given in RCW 84.36.383.

4 (9) "Special assessment" means the charge or obligation imposed  
5 by a local government upon property specially benefited.

6 **Sec. 4.** RCW 84.38.030 and 2019 c 453 s 5 are each amended to  
7 read as follows:

8 A claimant may defer payment of special assessments and/or real  
9 property taxes on up to (~~(eighty)~~) 80 percent of the amount of the  
10 claimant's equity value in the claimant's residence if the following  
11 conditions are met:

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

15 (2) The claimant must be (~~(sixty)~~) 60 years of age or older on  
16 December 31st of the year in which the deferral claim is filed, or  
17 must have been, at the time of filing, retired from regular gainful  
18 employment by reason of disability as defined in RCW 84.36.383.  
19 However, any surviving spouse, surviving domestic partner, heir, or  
20 devisee of a person who was receiving a deferral at the time of the  
21 person's death qualifies if the surviving spouse, surviving domestic  
22 partner, heir, or devisee is (~~(fifty-seven)~~) 57 years of age or older  
23 and otherwise meets the requirements of this section.

24 (3) The claimant must have a (~~(combined)~~) qualifying disposable  
25 income, as defined in RCW 84.36.383, equal to or less than the income  
26 threshold.

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

35 (5) The claimant must have and keep in force fire and casualty  
36 insurance in sufficient amount to protect the interest of the state  
37 in the claimant's equity value. However, if the claimant fails to  
38 keep fire and casualty insurance in force to the extent of the  
39 state's interest in the claimant's equity value, the amount deferred

1 may not exceed (~~one hundred~~) 100 percent of the claimant's equity  
2 value in the land or lot only.

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

6 (7) A residence owned by a marital community or state registered  
7 domestic partnership, as provided under subsection (4) of this  
8 section, may claim a deferral under this section if at least one  
9 spouse or domestic partner meets the eligibility requirements of this  
10 section.

11 NEW SECTION. Sec. 5. RCW 82.32.805 and 82.32.808 do not apply  
12 to this act.

13 NEW SECTION. Sec. 6. This act applies for taxes levied for  
14 collection in 2024 and thereafter.

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