
SUBSTITUTE HOUSE BILL 1181

State of Washington

66th Legislature

2019 Regular Session

By House Finance (originally sponsored by Representatives Lekanoff, Pellicciotti, Leavitt, Kilduff, Reeves, Peterson, Pollet, Entenman, Doglio, Valdez, Callan, Senn, Orwall, Wylie, Jenkins, Ortiz-Self, Dolan, Sells, Lovick, Fey, Frame, Slatter, Walen, Bergquist, Tharinger, Goodman, Kloba, and Stanford)

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, 84.38.020, 84.38.070, 84.38.130, and 84.38.150; reenacting
4 and amending RCW 84.38.030; creating new sections; and providing an
5 effective date.

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

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

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

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

1 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

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

35 (4) The amount that the person is exempt from an obligation to
36 pay is calculated on the basis of combined disposable income, as
37 defined in RCW 84.36.383. If the person claiming the exemption was
38 retired for two months or more of the assessment year, the combined
39 disposable income of such person must be calculated by multiplying
40 the average monthly combined disposable income of such person during

1 the months such person was retired by twelve. If the income of the
2 person claiming exemption is reduced for two or more months of the
3 assessment year by reason of the death of the person's spouse or the
4 person's domestic partner, or when other substantial changes occur in
5 disposable income that are likely to continue for an indefinite
6 period of time, the combined disposable income of such person must be
7 calculated by multiplying the average monthly combined disposable
8 income of such person after such occurrences by twelve. If it is
9 necessary to estimate income to comply with this subsection, the
10 assessor may require confirming documentation of such income prior to
11 May 31 of the year following application;

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

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

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

34 (6) (a) For a person who otherwise qualifies under this section
35 and has a combined disposable income (~~(of forty thousand dollars or~~
36 ~~less)) equal or less than income threshold 3, the valuation of the
37 residence is the assessed value of the residence on the later of
38 January 1, 1995, or January 1st of the assessment year the person
39 first qualifies under this section. If the person subsequently fails
40 to qualify under this section only for one year because of high~~

1 income, this same valuation must be used upon requalification. If the
2 person fails to qualify for more than one year in succession because
3 of high income or fails to qualify for any other reason, the
4 valuation upon requalification is the assessed value on January 1st
5 of the assessment year in which the person requalifies. If the person
6 transfers the exemption under this section to a different residence,
7 the valuation of the different residence is the assessed value of the
8 different residence on January 1st of the assessment year in which
9 the person transfers the exemption.

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

13 (c) This subsection does not apply to subsequent improvements to
14 the property in the year in which the improvements are made.
15 Subsequent improvements to the property must be added to the value
16 otherwise determined under this subsection at their true and fair
17 value in the year in which they are made.

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

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

23 (1) 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 (2) The term "real property" also includes a mobile home which
39 has substantially lost its identity as a mobile unit by virtue of its

1 being fixed in location upon land owned or leased by the owner of the
2 mobile home and placed on a foundation (posts or blocks) with fixed
3 pipe, connections with sewer, water, or other utilities. A mobile
4 home located on land leased by the owner of the mobile home is
5 subject, for tax billing, payment, and collection purposes, only to
6 the personal property provisions of chapter 84.56 RCW and RCW
7 84.60.040.

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

9 (4) "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 by the person claiming the exemption or his or her
14 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 and

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

23 (5) "Disposable income" means adjusted gross income as defined in
24 the federal internal revenue code, as amended prior to January 1,
25 1989, or such subsequent date as the director may provide by rule
26 consistent with the purpose of this section, plus all of the
27 following items to the extent they are not included in or have been
28 deducted from adjusted gross income:

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

32 (b) Amounts deducted for loss;

33 (c) Amounts deducted for depreciation;

34 (d) Pension and annuity receipts;

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

37 (f) Veterans benefits, other than:

38 (i) Attendant-care payments;

39 (ii) Medical-aid payments;

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

4 (iv) Dependency and indemnity compensation, as defined in Title
5 38, part 3, section 3.5 of the code of federal regulations, as of
6 January 1, 2008;

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

8 (h) Dividend receipts; and

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

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

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

17 (8) "Income threshold 1" means:

18 (a) For taxes levied for collection in calendar years prior to
19 2020, a combined disposable income equal to thirty thousand dollars;
20 and

21 (b) For taxes levied for collection in calendar year 2020 and
22 thereafter, a combined disposable income equal to the greater of
23 "income threshold 1" for the previous year or forty-five percent of
24 the county median household income, adjusted every five years
25 beginning January 1, 2020, as provided in RCW 84.36.385(7).

26 (9) "Income threshold 2" means:

27 (a) For taxes levied for collection in calendar years prior to
28 2020, a combined disposable income equal to thirty-five thousand
29 dollars; and

30 (b) For taxes levied for collection in calendar year 2020 and
31 thereafter, a combined disposable income equal to the greater of
32 "income threshold 2" for the previous year or fifty-five percent of
33 the county median household income, adjusted every five years
34 beginning January 1, 2020, as provided in RCW 84.36.385(7).

35 (10) "Income threshold 3" means:

36 (a) For taxes levied for collection in calendar years prior to
37 2020, a combined disposable income equal to forty thousand dollars;
38 and

39 (b) For taxes levied for collection in calendar year 2020 and
40 thereafter, a combined disposable income equal to the greater of

1 "income threshold 3" for the previous year or sixty-five percent of
2 the county median household income, adjusted every five years
3 beginning January 1, 2020, as provided in RCW 84.36.385(7).

4 (11) "County median household income" means the median household
5 income estimates for the state of Washington by county of the legal
6 address of the principal place of residence, as published by the
7 office of financial management.

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

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

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

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

27 (4) At least once every six years, the county assessor must
28 notify those persons receiving an exemption from taxes under RCW
29 84.36.381 of the requirement to file a renewal application. The
30 county assessor may also require a renewal application following an
31 amendment of the income requirements set forth in RCW 84.36.381.

32 (5) If the assessor finds that the applicant does not meet the
33 qualifications as set forth in RCW 84.36.381, as now or hereafter
34 amended, the claim or exemption must be denied but such denial is
35 subject to appeal under the provisions of RCW 84.48.010 and in
36 accordance with the provisions of RCW 84.40.038. If the applicant had
37 received exemption in prior years based on erroneous information, the
38 taxes must be collected subject to penalties as provided in RCW
39 84.40.130 for a period of not to exceed five years.

1 (6) The department and each local assessor is hereby directed to
2 publicize the qualifications and manner of making claims under RCW
3 84.36.381 through 84.36.389, through communications media, including
4 such paid advertisements or notices as it deems appropriate. Notice
5 of the qualifications, method of making applications, the penalties
6 for not reporting a change in status, and availability of further
7 information must be included on or with property tax statements and
8 revaluation notices for all residential property including mobile
9 homes, except rental properties.

10 (7) Beginning on August 1, 2019, and by March 1st every fifth
11 year thereafter, the department must publish updated income
12 thresholds. The adjusted thresholds must be rounded to the nearest
13 one dollar. If the income threshold adjustment is negative, the
14 income threshold for the prior year continues to apply. The
15 department must adjust income thresholds for each county to reflect
16 the most recent year available of estimated county median household
17 incomes, including preliminary estimates or projections, as published
18 by the office of financial management. For the purposes of this
19 subsection, "county median household income" has the same meaning as
20 provided in RCW 84.36.383.

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

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

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

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

35 (2) ~~(("Department" means the state department of revenue.))~~
36 "Devisee" has the same meaning as provided in RCW 21.35.005.

37 (3) "Equity value" means the amount by which the fair market
38 value of a residence as determined from the records of the county

1 assessor exceeds the total amount of any liens or other obligations
2 against the property.

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

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

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

14 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
15 levied on a residence in this state in the preceding calendar year.

16 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.

17 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
18 imposed by a local government upon property specially benefited.

19 **Sec. 5.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
20 s 313 are each reenacted and amended to read as follows:

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

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

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

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

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

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

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

19 **Sec. 6.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
20 read as follows:

21 If the claimant declaring his or her intention to defer special
22 assessments or real property tax obligations under this chapter
23 ceases to reside permanently on the property for which the
24 declaration to defer is made between the date of filing the
25 declaration and December 15th of that year, the deferral otherwise
26 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
27 tax roll. However, this section (~~shall~~) does not apply where the
28 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
29 devisee surviving, who is also eligible for deferral of special
30 assessment and/or property taxes.

31 **Sec. 7.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
32 read as follows:

33 Special assessments and/or real property tax obligations deferred
34 under this chapter (~~shall~~) become payable together with interest as
35 provided in RCW 84.38.100:

36 (1) Upon the sale of property which has a deferred special
37 assessment and/or real property tax lien upon it.

1 (2) Upon the death of the claimant with an outstanding deferred
2 special assessment and/or real property tax lien except a surviving
3 spouse ((~~or~~)), surviving domestic partner, heir, or devisee who is
4 qualified under this chapter may elect to incur the special
5 assessment and/or real property tax lien which shall then be payable
6 by that spouse or that domestic partner as provided in this section.

7 (3) Upon the condemnation of property with a deferred special
8 assessment and/or real property tax lien upon it by a public or
9 private body exercising eminent domain power, except as otherwise
10 provided in RCW 84.60.070.

11 (4) At such time as the claimant ceases to reside permanently in
12 the residence upon which the deferral has been granted.

13 (5) Upon the failure of any condition set forth in RCW 84.38.030.

14 **Sec. 8.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
15 read as follows:

16 (1) A surviving spouse ((~~or~~)), surviving domestic partner, heir,
17 or devisee of the claimant may elect to continue the property in its
18 deferred tax status if the property is the residence of the spouse
19 ((~~or~~)), domestic partner, heir, or devisee of the claimant and the
20 spouse ((~~or~~)), domestic partner, heir, or devisee meets the
21 requirements of this chapter.

22 (2) The election under this section to continue the property in
23 its deferred status by the spouse ((~~or~~)), the domestic partner, heir,
24 or devisee of the claimant ((~~shall~~)) must be filed in the same manner
25 as an original claim for deferral is filed under this chapter ((~~not~~
26 ~~later than ninety days from the date of the claimant's death~~)).
27 Thereupon, the property with respect to which the deferral of special
28 assessments and/or real property taxes is claimed ((~~shall~~)) must
29 continue to be treated as deferred property. When the property has
30 been continued in its deferred status by the filing of the spouse
31 ((~~or~~)), the domestic partner, heir, or devisee of the claimant of an
32 election under this section, the spouse ((~~or~~)), the domestic partner,
33 heir, or devisee of the claimant may continue the property in its
34 deferred status in subsequent years by filing a claim under this
35 chapter so long as the spouse or the domestic partner meets the
36 qualifications set out in this section.

37 NEW SECTION. **Sec. 9.** This act applies for taxes levied for
38 collection in 2020 and thereafter.

1 NEW SECTION. **Sec. 10.** The provision of RCW 82.32.805 and
2 82.32.808 do not apply to this act.

3 NEW SECTION. **Sec. 11.** 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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