
SUBSTITUTE HOUSE BILL 2026

State of Washington

68th Legislature

2024 Regular Session

By House Finance (originally sponsored by Representatives Doglio, Bateman, Ryu, Ramel, Reed, and Kloba)

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) Rental amounts up to \$6,000 per year received from the
18 renting of living space in the person's principal place of residence.

19 (i) For the purposes of this subsection (1)(n), "rental amount"
20 has the same meaning as in RCW 59.18.030.

21 (ii) For the purposes of this subsection (1)(n), amounts received
22 from short-term rentals, as defined in RCW 64.37.010, are not
23 included. Any amounts received from a short-term rental must be
24 reported as income.

25 (2) "Cotenant" means a person who resides with the person
26 claiming the exemption and who has an ownership interest in the
27 residence.

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

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

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

37 (6) "Disposable income" means adjusted gross income as defined in
38 the federal internal revenue code, as amended prior to January 1,
39 1989, or such subsequent date as the director may provide by rule
40 consistent with the purpose of this section, plus all of the

1 following items to the extent they are not included in or have been
2 deducted from adjusted gross income:

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

6 (b) Amounts deducted for loss;

7 (c) Amounts deducted for depreciation;

8 (d) Pension and annuity receipts;

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

11 (f) Veterans benefits, other than:

12 (i) Attendant-care payments;

13 (ii) Medical-aid payments;

14 (iii) Disability compensation, as defined in Title 38, part 3,
15 section 3.4 of the Code of Federal Regulations, as of January 1,
16 2008; and

17 (iv) Dependency and indemnity compensation, as defined in Title
18 38, part 3, section 3.5 of the Code of Federal Regulations, as of
19 January 1, 2008;

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

21 (h) Dividend receipts; and

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

23 (7) "Income threshold 1" means:

24 (a) For taxes levied for collection in calendar years prior to
25 2020, a combined disposable income equal to \$30,000;

26 (b) For taxes levied for collection in calendar years 2020
27 through 2023, a combined disposable income equal to the greater of
28 "income threshold 1" for the previous year or 45 percent of the
29 county median household income; and

30 (c) For taxes levied for collection in calendar year 2024 and
31 thereafter, a combined disposable income equal to the greater of
32 "income threshold 1" for the previous year or 50 percent of the
33 county median household income, adjusted every three years beginning
34 August 1, 2023, as provided in RCW 84.36.385(8).

35 (8) "Income threshold 2" means:

36 (a) For taxes levied for collection in calendar years prior to
37 2020, a combined disposable income equal to \$35,000;

38 (b) For taxes levied for collection in calendar years 2020
39 through 2023, a combined disposable income equal to the greater of

1 "income threshold 2" for the previous year or 55 percent of the
2 county median household income; and

3 (c) For taxes levied for collection in calendar year 2024 and
4 thereafter, a combined disposable income equal to the greater of
5 "income threshold 2" for the previous year or 60 percent of the
6 county median household income, adjusted every three years beginning
7 August 1, 2023, as provided in RCW 84.36.385(8).

8 (9) "Income threshold 3" means:

9 (a) For taxes levied for collection in calendar years prior to
10 2020, a combined disposable income equal to \$40,000;

11 (b) For taxes levied for collection in calendar years 2020
12 through 2023, a combined disposable income equal to the greater of
13 "income threshold 3" for the previous year or 65 percent of the
14 county median household income; and

15 (c) For taxes levied for collection in calendar year 2024 and
16 thereafter, a combined disposable income equal to the greater of
17 "income threshold 3" for the previous year or 70 percent of the
18 county median household income, adjusted every three years beginning
19 August 1, 2023, as provided in RCW 84.36.385(8).

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

23 (11) The term "real property" also includes a mobile home which
24 has substantially lost its identity as a mobile unit by virtue of its
25 being fixed in location upon land owned or leased by the owner of the
26 mobile home and placed on a foundation (posts or blocks) with fixed
27 pipe, connections with sewer, water, or other utilities. A mobile
28 home located on land leased by the owner of the mobile home is
29 subject, for tax billing, payment, and collection purposes, only to
30 the personal property provisions of chapter 84.56 RCW and RCW
31 84.60.040.

32 (12) The term "residence" means a single-family dwelling unit
33 whether such unit be separate or part of a multiunit dwelling,
34 including the land on which such dwelling stands not to exceed one
35 acre, except that a residence includes any additional property up to
36 a total of five acres that comprises the residential parcel if this
37 larger parcel size is required under land use regulations. The term
38 also includes a share ownership in a cooperative housing association,
39 corporation, or partnership if the person claiming exemption can
40 establish that his or her share represents the specific unit or

1 portion of such structure in which he or she resides. The term also
2 includes a single-family dwelling situated upon lands the fee of
3 which is vested in the United States or any instrumentality thereof
4 including an Indian tribe or in the state of Washington, and
5 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
6 residence is deemed real property.

7 NEW SECTION. **Sec. 2.** This act applies to taxes levied for
8 collection in 2027 and thereafter.

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

--- END ---