
SUBSTITUTE SENATE BILL 5691

State of Washington

64th Legislature

2015 Regular Session

By Senate Government Operations & Security (originally sponsored by Senators Rolfes, Keiser, Nelson, Darneille, Hasegawa, Conway, and McAuliffe)

READ FIRST TIME 02/20/15.

1 AN ACT Relating to property tax relief for senior citizens and
2 persons retired because of physical disability; amending RCW
3 84.36.381, 84.36.383, 84.36.385, 84.38.020, and 84.38.030; and
4 creating new sections.

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

6 NEW SECTION. **Sec. 1.** Article VII, section 10 of the Washington
7 state Constitution provides that the legislature has the power to
8 grant relief to retired property owners from the property tax on the
9 real property occupied as a residence by those owners. The
10 legislature finds that the current statutory static income thresholds
11 are inadequate because the value of a dollar has decreased over time
12 due to inflation. This act is intended to make meaningful adjustments
13 to the property tax relief programs over time.

14 **Sec. 2.** RCW 84.36.381 and 2012 c 10 s 73 are each amended to
15 read as follows:

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

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

10 (a) The residence is temporarily unoccupied;

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

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

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

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

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

31 (ii) A veteran of the armed forces of the United States entitled
32 to and receiving compensation from the United States department of
33 veterans affairs at a total disability rating for a service-connected
34 disability.

35 (b) However, any surviving spouse or surviving domestic partner
36 of a person who was receiving an exemption at the time of the
37 person's death will qualify if the surviving spouse or surviving
38 domestic partner is fifty-seven years of age or older and otherwise
39 meets the 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 disposable income, as
3 defined in RCW 84.36.383. If the person claiming the exemption was
4 retired for two months or more of the assessment year, the combined
5 disposable income of such person must be calculated by multiplying
6 the average monthly combined disposable income of such person during
7 the months such person was retired by twelve. If the income of the
8 person claiming exemption is reduced for two or more months of the
9 assessment year by reason of the death of the person's spouse or the
10 person's domestic partner, or when other substantial changes occur in
11 disposable income that are likely to continue for an indefinite
12 period of time, the combined disposable income of such person must be
13 calculated by multiplying the average monthly combined disposable
14 income of such person after such occurrences by twelve. If it is
15 necessary to estimate income to comply with this subsection, the
16 assessor may require confirming documentation of such income prior to
17 May 31 of the year following application;

18 (5)(a) A person who otherwise qualifies under this section and
19 has a combined disposable income (~~(of thirty five thousand dollars or~~
20 ~~less)) equal to or less than income threshold 3 is exempt from all
21 excess property taxes; and~~

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

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

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

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

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

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

19 **Sec. 3.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
20 read as follows:

21 As used in RCW 84.36.381 through 84.36.389, except where the
22 context clearly indicates a different meaning:

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)) (c) Health care insurance premiums for
23 health care coverage, including dental coverage, vision coverage,
24 copayments, and for medicare under Title XVIII of the social security
25 act;~~

26 (d) Durable medical equipment and mobility enhancing equipment,
27 as defined in RCW 82.08.0283; and

28 (e) Long-term care insurance, as defined in RCW 48.84.020.

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

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

38 (b) Amounts deducted for loss;

39 (c) Amounts deducted for depreciation;

40 (d) Pension and annuity receipts;

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

3 (f) Veterans benefits, other than:

4 (i) Attendant-care payments;

5 (ii) Medical-aid payments;

6 (iii) Disability compensation, as defined in Title 38, part 3,
7 section 3.4 of the code of federal regulations, as of January 1,
8 2008; and

9 (iv) Dependency and indemnity compensation, as defined in Title
10 38, part 3, section 3.5 of the code of federal regulations, as of
11 January 1, 2008;

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

13 (h) Dividend receipts; and

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

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

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

22 (8) "Income threshold 1" means a combined disposable income equal
23 to twenty-five thousand dollars or less, or forty-five percent of the
24 median household income of the county in which the residence is
25 located, whichever is greater, adjusted every five years beginning in
26 calendar year 2019, as provided in RCW 84.36.385(7).

27 (9) "Income threshold 2" means a combined disposable income
28 between twenty-five thousand and one dollars and thirty thousand
29 dollars, or fifty-five percent of the median household income of the
30 county in which the residence is located, whichever is greater,
31 adjusted every five years beginning in calendar year 2019, as
32 provided in RCW 84.36.385(7).

33 (10) "Income threshold 3" means a combined disposable income
34 between thirty thousand and one dollars and thirty-five thousand
35 dollars, or sixty-five percent of the median household income of the
36 county in which the residence is located, whichever is greater,
37 adjusted every five years beginning in calendar year 2019, as
38 provided in RCW 84.36.385(7).

1 **Sec. 4.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
2 read as follows:

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

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

14 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
15 thereafter((~~7~~)) must file with the county assessor a renewal
16 application not later than December 31st of the year the assessor
17 notifies such person of the requirement to file the renewal
18 application. Renewal applications must be on forms prescribed and
19 furnished by the department of revenue.

20 (4) At least once every six years, the county assessor must
21 notify those persons receiving an exemption from taxes under RCW
22 84.36.381 of the requirement to file a renewal application. The
23 county assessor may also require a renewal application following an
24 amendment of the income requirements set forth in RCW 84.36.381.

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

33 (6) The department and each local assessor is hereby directed to
34 publicize the qualifications and manner of making claims under RCW
35 84.36.381 through 84.36.389, through communications media, including
36 such paid advertisements or notices as it deems appropriate. Notice
37 of the qualifications, method of making applications, the penalties
38 for not reporting a change in status, and availability of further
39 information must be included on or with property tax statements and

1 revaluation notices for all residential property including mobile
2 homes, except rental properties.

3 (7) For taxes levied for collection in calendar year 2019 and
4 every five years thereafter, the department must publish updated
5 median household income for each county by January 1st of the
6 applicable year. The department must adjust income threshold 1,
7 income threshold 2, and income threshold 3 to reflect the increase in
8 the unadjusted median household income for each county over the five-
9 year period ending in September of the previous calendar year.

10 **Sec. 5.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to read
11 as follows:

12 ~~((Unless a different meaning is plainly required by the context,~~
13 ~~the following words and phrases as hereinafter used in this chapter~~
14 ~~shall have the following meanings:)) The definitions in this section
15 apply throughout this chapter unless the context clearly requires
16 otherwise.~~

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

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

24 (2) ~~((("Department" means the state department of revenue.~~

25 ~~(3))~~ "Equity value" means the amount by which the fair market
26 value of a residence as determined from the records of the county
27 assessor exceeds the total amount of any liens or other obligations
28 against the property.

29 (3) "Income threshold" means a combined disposable income of less
30 than forty thousand dollars, or seventy-five percent of the median
31 household income of the county in which the residence is located,
32 whichever is greater, adjusted every five years beginning in calendar
33 year 2019, as provided in RCW 84.36.385(7).

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

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

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

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

6 **Sec. 6.** RCW 84.38.030 and 2008 c 6 s 702 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 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 years of age or older on December
16 31st of the year in which the deferral claim is filed, or must have
17 been, at the time of filing, retired from regular gainful employment
18 by reason of physical disability(~~(; PROVIDED, That)~~). However, any
19 surviving spouse or surviving domestic partner of a person who was
20 receiving a deferral at the time of the person's death (~~shall~~
21 ~~qualify~~) qualifies if the surviving spouse or surviving domestic
22 partner is fifty-seven years of age or older and otherwise meets the
23 requirements of this section.

24 (3) The claimant must have a combined disposable income, as
25 defined in RCW 84.36.383, (~~(of forty thousand dollars or)~~) less than
26 or equal to the income 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 (~~(shall be)~~) is deemed to be owned by each spouse, each
32 domestic partner, or each cotenant. A claimant who has only a share
33 ownership in cooperative housing, a life estate, a lease for life, or
34 a 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(~~(; PROVIDED, That)~~). However, if the
38 claimant fails to keep fire and casualty insurance in force to the
39 extent of the state's interest in the claimant's equity value, the

1 amount deferred (~~shall~~) may not exceed one hundred percent of the
2 claimant's equity 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 NEW SECTION. **Sec. 7.** The department of revenue must update the
7 income thresholds every five years, following the requirements
8 provided in RCW 84.36.385(7).

9 NEW SECTION. **Sec. 8.** This act is not subject to the
10 requirements provided in RCW 82.32.805 and 82.32.808. This act is not
11 subject to an expiration date.

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