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SENATE BILL 5187

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Haugen, Oemig, Kline, Marr, Kauffman, Keiser, Kilmer, Pridemore, Spanel, Jacobsen and Rasmussen

Read first time 01/12/2007.      Referred to Committee on Government Operations & Elections.

1            AN ACT Relating to exempting a portion of the valuation of  
2 residential property from property taxation; amending RCW 84.36.383,  
3 84.36.385, 84.36.387, and 84.36.389; adding a new section to chapter  
4 84.36 RCW; creating a new section; and providing a contingent effective  
5 date.

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

7            NEW SECTION.    **Sec. 1.** A new section is added to chapter 84.36 RCW  
8 to read as follows:

9            (1) As used in this section, "homestead exemption" means an  
10 exemption under this section.

11            (2) Subject to the conditions in subsection (3) of this section and  
12 RCW 84.36.383 through 84.36.389, a portion of a residence is exempt  
13 from property taxes imposed for state purposes. The exemption from  
14 property taxation is equal to:

15            (a) The first fifty thousand dollars of valuation of each  
16 residential tax parcel consisting of less than three dwelling units;  
17 and

18            (b) The first fifty thousand dollars of valuation of each

1 residential unit in a multiunit residential dwelling wherein each unit  
2 is owned and taxed separately.

3 (3) The following conditions apply to homestead exemptions:

4 (a) The residence must be occupied by the person claiming the  
5 exemption as a principal place of residence as of January 1st of the  
6 year in which taxes are due. A person who sells, transfers, or is  
7 displaced from his or her residence may transfer his or her exemption  
8 status to a replacement residence, but no claimant shall receive an  
9 exemption on more than one residence in any year: PROVIDED, That  
10 confinement of the person to a hospital, nursing home, boarding home,  
11 or adult family home shall not disqualify the claim of exemption if:

12 (i) The residence is temporarily unoccupied;

13 (ii) The residence is occupied by a spouse and/or a person  
14 financially dependent on the claimant for support; or

15 (iii) The residence is rented for the purpose of paying nursing  
16 home, hospital, boarding home, or adult family home costs.

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

27 (4) A person claiming the exemption cannot claim any other  
28 exemptions provided by law.

29 **Sec. 2.** RCW 84.36.383 and 2006 c 62 s 1 are each amended to read  
30 as follows:

31 As used in RCW 84.36.381 through 84.36.389 and section 1 of this  
32 act, except where the context clearly indicates a different meaning:

33 (1) The term "residence" means a single family dwelling unit  
34 whether such unit be separate or part of a multiunit dwelling,  
35 including the land on which such dwelling stands not to exceed one  
36 acre, except that a residence includes any additional property up to a  
37 total of five acres that comprises the residential parcel if this

1 larger parcel size is required under land use regulations. The term  
2 shall also include a share ownership in a cooperative housing  
3 association, corporation, or partnership if the person claiming  
4 exemption can establish that his or her share represents the specific  
5 unit or portion of such structure in which he or she resides. The term  
6 shall also include a single family dwelling situated upon lands the fee  
7 of which is vested in the United States or any instrumentality thereof  
8 including an Indian tribe or in the state of Washington, and  
9 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
10 residence shall be deemed real property.

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

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

20 (4) "Combined disposable income" means the disposable income of the  
21 person claiming the exemption, plus the disposable income of his or her  
22 spouse, and the disposable income of each cotenant occupying the  
23 residence for the assessment year, less amounts paid by the person  
24 claiming the exemption or his or her spouse during the assessment year  
25 for:

26 (a) Drugs supplied by prescription of a medical practitioner  
27 authorized by the laws of this state or another jurisdiction to issue  
28 prescriptions;

29 (b) The treatment or care of either person received in the home or  
30 in a nursing home, boarding home, or adult family home; and

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

33 (5) "Disposable income" means adjusted gross income as defined in  
34 the federal internal revenue code, as amended prior to January 1, 1989,  
35 or such subsequent date as the director may provide by rule consistent  
36 with the purpose of this section, plus all of the following items to  
37 the extent they are not included in or have been deducted from adjusted  
38 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 attendant-care and medical-aid  
10 payments;

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

12 (h) Dividend receipts; and

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

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

16 (7) "Disability" has the same meaning as provided in 42 U.S.C. Sec.  
17 423(d)(1)(A) as amended prior to January 1, 2004, or such subsequent  
18 date as the director may provide by rule consistent with the purpose of  
19 this section.

20 **Sec. 3.** RCW 84.36.385 and 2001 c 185 s 8 are each amended to read  
21 as follows:

22 (1) A claim for exemption under RCW 84.36.381 or section 1 of this  
23 act as now or hereafter amended, shall be made and filed at any time  
24 during the year for exemption from taxes payable the following year and  
25 thereafter and solely upon forms as prescribed and furnished by the  
26 department of revenue. However, an exemption from tax under RCW  
27 84.36.381 shall continue for no more than four years unless a renewal  
28 application is filed as provided in subsection (3) of this section.  
29 The county assessor may also require, by written notice, a renewal  
30 application following an amendment of the income requirements set forth  
31 in RCW 84.36.381. Renewal applications shall be on forms prescribed  
32 and furnished by the department of revenue. An exemption under section  
33 1 of this act shall continue each year as long as the residence is  
34 eligible for exemption.

35 (2) A person granted an exemption under RCW 84.36.381 or section 1  
36 of this act shall inform the county assessor of any change in status

1 affecting the person's entitlement to the exemption on forms prescribed  
2 and furnished by the department of revenue.

3 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and  
4 thereafter, shall file with the county assessor a renewal application  
5 not later than December 31 of the year the assessor notifies such  
6 person of the requirement to file the renewal application.

7 (4) Beginning in 1992 and in each of the three succeeding years,  
8 the county assessor shall notify approximately one-fourth of those  
9 persons exempt from taxes under RCW 84.36.381 in the current year who  
10 have not filed a renewal application within the previous four years, of  
11 the requirement to file a renewal application.

12 (5) If the assessor finds that the applicant does not meet the  
13 qualifications as set forth in RCW 84.36.381 or section 1 of this act,  
14 as now or hereafter amended, the claim or exemption shall be denied but  
15 such denial shall be subject to appeal under the provisions of RCW  
16 84.48.010(5) and in accordance with the provisions of RCW 84.40.038.  
17 If the applicant had received exemption in prior years based on  
18 erroneous information, the taxes shall be collected subject to  
19 penalties as provided in RCW 84.40.130 for a period of not to exceed  
20 three years.

21 (6) The department and each local assessor is hereby directed to  
22 publicize the qualifications and manner of making claims under RCW  
23 84.36.381 through 84.36.389 and section 1 of this act, through  
24 communications media, including such paid advertisements or notices as  
25 it deems appropriate. Notice of the qualifications, method of making  
26 applications, the penalties for not reporting a change in status, and  
27 availability of further information shall be included on or with  
28 property tax statements and revaluation notices for all residential  
29 property including mobile homes, except rental properties.

30 **Sec. 4.** RCW 84.36.387 and 2003 c 53 s 408 are each amended to read  
31 as follows:

32 (1) All claims for exemption under RCW 84.36.381 or section 1 of  
33 this act shall be made and signed by the person entitled to the  
34 exemption, by his or her attorney in fact or in the event the residence  
35 of such person is under mortgage or purchase contract requiring  
36 accumulation of reserves out of which the holder of the mortgage or  
37 contract is required to pay real estate taxes, by such holder or by the

1 owner, either before two witnesses or the county assessor or his or her  
2 deputy in the county where the real property is located: PROVIDED,  
3 That if a claim for exemption is made by a person living in a  
4 cooperative housing association, corporation, or partnership, such  
5 claim shall be made and signed by the person entitled to the exemption  
6 and by the authorized agent of such cooperative.

7 (2) If the taxpayer is unable to submit his or her own claim, the  
8 claim shall be submitted by a duly authorized agent or by a guardian or  
9 other person charged with the care of the person or property of such  
10 taxpayer.

11 (3) All claims for exemption and renewal applications under RCW  
12 84.36.381 shall be accompanied by such documented verification of  
13 income as shall be prescribed by rule adopted by the department of  
14 revenue.

15 (4) Any person signing a false claim with the intent to defraud or  
16 evade the payment of any tax is guilty of perjury under chapter 9A.72  
17 RCW.

18 (5) The tax liability of a cooperative housing association,  
19 corporation, or partnership shall be reduced by the amount of tax  
20 exemption to which a claimant residing therein is entitled and such  
21 cooperative shall reduce any amount owed by the claimant to the  
22 cooperative by such exact amount of tax exemption or, if no amount be  
23 owed, the cooperative shall make payment to the claimant of such exact  
24 amount of exemption.

25 (6) A remainderman or other person who would have otherwise paid  
26 the tax on real property that is the subject of an exemption granted  
27 under RCW 84.36.381 or section 1 of this act for an estate for life  
28 shall reduce the amount which would have been payable by the life  
29 tenant to the remainderman or other person to the extent of the  
30 exemption. If no amount is owed or separately stated as an obligation  
31 between these persons, the remainderman or other person shall make  
32 payment to the life tenant in the exact amount of the exemption.

33 **Sec. 5.** RCW 84.36.389 and 1979 ex.s. c 214 s 4 are each amended to  
34 read as follows:

35 (1) The director of the department of revenue shall adopt such  
36 rules and regulations and prescribe such forms as may be necessary and

1 appropriate for implementation and administration of this chapter  
2 subject to chapter 34.05 RCW, the administrative procedure act.

3 (2) The department may conduct such audits of the administration of  
4 RCW 84.36.381 through 84.36.389 and section 1 of this act and the  
5 claims for exemption filed thereunder as it considers necessary. The  
6 powers of the department under chapter 84.08 RCW apply to these audits.

7 (3) Any information or facts concerning confidential income data  
8 obtained by the assessor or the department, or their agents or  
9 employees, under subsection (2) of this section shall be used only to  
10 administer RCW 84.36.381 through 84.36.389 and section 1 of this act.  
11 Notwithstanding any provision of law to the contrary, absent written  
12 consent by the person about whom the information or facts have been  
13 obtained, the confidential income data shall not be disclosed by the  
14 assessor or the assessor's agents or employees to anyone other than the  
15 department or the department's agents or employees nor by the  
16 department or the department's agents or employees to anyone other than  
17 the assessor or the assessor's agents or employees except in a judicial  
18 proceeding pertaining to the taxpayer's entitlement to the tax  
19 exemption under RCW 84.36.381 through 84.36.389. Any violation of this  
20 subsection is a misdemeanor.

21 NEW SECTION. **Sec. 6.** This act applies to taxes levied for  
22 collection in 2008 and thereafter.

23 NEW SECTION. **Sec. 7.** This act shall take effect if the proposed  
24 amendment to Article VII of the state Constitution, providing for a  
25 homestead exemption, is validly submitted to and is approved and  
26 ratified by the voters at the next general election. If the proposed  
27 amendment is not approved and ratified, this act is void in its  
28 entirety.

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