
ENGROSSED SUBSTITUTE SENATE BILL 5001

State of Washington

54th Legislature

1995 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Sheldon, Snyder, Haugen, Winsley, Quigley, Franklin, Rasmussen and Prentice)

Read first time 01/23/95.

1 AN ACT Relating to the property taxation of senior citizens and
2 persons retired because of physical disability; amending RCW 84.36.381,
3 84.36.383, 84.36.383 and 84.36.381; adding a new section to chapter
4 84.40 RCW; creating new sections; repealing 1994 sp.s. c 8 s 3
5 (uncodified); providing an effective date; providing contingent
6 effective dates; and declaring an emergency.

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

8 **PART I**
9 **ELIMINATE CONTINGENT EFFECTIVE DATE ON 1994 SP.S. C 8 AND**
10 **ELIMINATE VALUATION INCREASE LIMIT**

11 **Sec. 1.** RCW 84.36.381 and 1994 sp.s. c 8 s 1 are each amended to
12 read as follows:

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

17 (1) The property taxes must have been imposed upon a residence
18 which was occupied by the person claiming the exemption as a principal

1 place of residence as of the time of filing: PROVIDED, That any person
2 who sells, transfers, or is displaced from his or her residence may
3 transfer his or her exemption status to a replacement residence, but no
4 claimant shall receive an exemption on more than one residence in any
5 year: PROVIDED FURTHER, That confinement of the person to a hospital
6 or nursing home shall not disqualify the claim of exemption if:

7 (a) The residence is temporarily unoccupied;

8 (b) The residence is occupied by a spouse and/or a person
9 financially dependent on the claimant for support; or

10 (c) The residence is rented for the purpose of paying nursing home
11 or hospital costs;

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

22 (3) The person claiming the exemption must be sixty-one years of
23 age or older on December 31st of the year in which the exemption claim
24 is filed, or must have been, at the time of filing, retired from
25 regular gainful employment by reason of physical disability: PROVIDED,
26 That any surviving spouse of a person who was receiving an exemption at
27 the time of the person's death shall qualify if the surviving spouse is
28 fifty-seven years of age or older and otherwise meets the requirements
29 of this section;

30 (4) The amount that the person shall be exempt from an obligation
31 to pay shall be calculated on the basis of combined disposable income,
32 as defined in RCW 84.36.383. If the person claiming the exemption was
33 retired for two months or more of the assessment year, the combined
34 disposable income of such person shall be calculated by multiplying the
35 average monthly combined disposable income of such person during the
36 months such person was retired by twelve. If the income of the person
37 claiming exemption is reduced for two or more months of the assessment
38 year by reason of the death of the person's spouse, or when other
39 substantial changes occur in disposable income that are likely to

1 continue for an indefinite period of time, the combined disposable
2 income of such person shall be calculated by multiplying the average
3 monthly combined disposable income of such person after such
4 occurrences by twelve. If it is necessary to estimate income to comply
5 with this subsection, the assessor may require confirming documentation
6 of such income prior to May 31 of the year following application;

7 (5)(a) A person who otherwise qualifies under this section and has
8 a combined disposable income of twenty-eight thousand dollars or less
9 shall be exempt from all excess property taxes; and

10 (b)(i) A person who otherwise qualifies under this section and has
11 a combined disposable income of eighteen thousand dollars or less but
12 greater than fifteen thousand dollars shall be exempt from all regular
13 property taxes on the greater of thirty thousand dollars or thirty
14 percent of the valuation of his or her residence, but not to exceed
15 fifty thousand dollars of the valuation of his or her residence; or

16 (ii) A person who otherwise qualifies under this section and has a
17 combined disposable income of fifteen thousand dollars or less shall be
18 exempt from all regular property taxes on the greater of thirty-four
19 thousand dollars or fifty percent of the valuation of his or her
20 residence((÷

21 ~~(6) For a person who otherwise qualifies under this section and has
22 a combined disposable income of twenty-eight thousand dollars or less,
23 the taxable value of the residence shall not exceed the lesser of (a)
24 the assessed value of the residence as reduced by the exemption under
25 subsection (5) of this section, if any, or (b) the taxable value of the
26 residence for the previous year, increased by the inflation factor for
27 the assessment year. For counties that do not revalue property
28 annually, the amount under (b) of this subsection shall be the previous
29 taxable value increased by the inflation factor for each assessment
30 year since the previous revaluation of the residence. As used in this
31 section, "inflation factor" means the percentage change used by the
32 federal government in adjusting social security payments for inflation
33 at the beginning of each year. The department shall provide inflation
34 factors to the county assessors annually)).~~

35 NEW SECTION. **Sec. 2.** 1994 sp.s. c 8 s 3 (uncodified) is repealed.

1 NEW SECTION. **Sec. 3.** Chapter 8, Laws of 1994 sp. sess. shall take
2 effect July 1, 1995, and shall be effective for taxes levied in 1995
3 for collection in 1996 and thereafter.

4 **Sec. 4.** RCW 84.36.383 and 1991 c 213 s 4 are each amended to read
5 as follows:

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

8 (1) The term "residence" shall mean a single family dwelling unit
9 whether such unit be separate or part of a multiunit dwelling,
10 including the land on which such dwelling stands not to exceed one
11 acre. The term shall also include a share ownership in a cooperative
12 housing association, corporation, or partnership if the person claiming
13 exemption can establish that his or her share represents the specific
14 unit or portion of such structure in which he or she resides. The term
15 shall also include a single family dwelling situated upon lands the fee
16 of which is vested in the United States or any instrumentality thereof
17 including an Indian tribe or in the state of Washington, and
18 notwithstanding the provisions of RCW 84.04.080(~~(7)~~) or 84.04.090 (~~(or~~
19 ~~84.40.250)~~), such a residence shall be deemed real property.

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

29 (3) The term "preceding calendar year" shall mean the calendar year
30 preceding the year in which the claim for exemption is to be made.

31 (4) "Department" shall mean the state department of revenue.

32 (5) "Combined disposable income" means the disposable income of the
33 person claiming the exemption, plus the disposable income of his or her
34 spouse, and the disposable income of each cotenant occupying the
35 residence for the preceding calendar year, less amounts paid by the
36 person claiming the exemption or his or her spouse during the previous
37 year for:

1 (a) Drugs supplied by prescription of a medical practitioner
2 authorized by the laws of this state or another jurisdiction to issue
3 prescriptions; and

4 (b) The treatment or care of either person received in the home or
5 in a nursing home.

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

12 (a) Capital gains, other than nonrecognized gain on the sale of a
13 principal residence under section 1034 of the federal internal revenue
14 code, or gain excluded from income under section 121 of the federal
15 internal revenue code to the extent it is reinvested in a new principal
16 residence;

17 (b) Amounts deducted for loss;

18 (c) Amounts deducted for depreciation;

19 (d) Pension and annuity receipts;

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

22 (f) Veterans benefits other than attendant-care and medical-aid
23 payments;

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

25 (h) Dividend receipts; and

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

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

29 **Sec. 5.** RCW 84.36.383 and 1994 sp.s. c 8 s 2 are each amended to
30 read as follows:

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

33 (1) The term "residence" shall mean 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. The term shall also include a share ownership in a cooperative
37 housing association, corporation, or partnership if the person claiming
38 exemption can establish that his or her share represents the specific

1 unit or portion of such structure in which he or she resides. The term
2 shall also include a single family dwelling situated upon lands the fee
3 of 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 shall be deemed real property.

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

16 (3) "Department" shall mean the state department of revenue.

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

23 (a) Drugs supplied by prescription of a medical practitioner
24 authorized by the laws of this state or another jurisdiction to issue
25 prescriptions; and

26 (b) The treatment or care of either person received in the home or
27 in a nursing home.

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

34 (a) Capital gains, other than nonrecognized gain on the sale of a
35 principal residence under section 1034 of the federal internal revenue
36 code, or gain excluded from income under section 121 of the federal
37 internal revenue code to the extent it is reinvested in a new principal
38 residence;

39 (b) Amounts deducted for loss;

- 1 (c) Amounts deducted for depreciation;
2 (d) Pension and annuity receipts;
3 (e) Military pay and benefits other than attendant-care and
4 medical-aid payments;
5 (f) Veterans benefits other than attendant-care and medical-aid
6 payments;
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 claiming
11 the exemption and who has an ownership interest in the residence.

12 NEW SECTION. **Sec. 6.** Section 4 of this act applies to taxes
13 levied in 1995 for collection in 1996 and thereafter.

14 **PART II**

15 **FREEZE VALUATION ON QUALIFICATION - CONTINGENT ON FUNDING**

16 **Sec. 7.** RCW 84.36.381 and 1995 c . . . s 1 (section 1 of this act)
17 are each amended to read as follows:

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

22 (1) The property taxes must have been imposed upon a residence
23 which was occupied by the person claiming the exemption as a principal
24 place of residence as of the time of filing: PROVIDED, That any person
25 who sells, transfers, or is displaced from his or her residence may
26 transfer his or her exemption status to a replacement residence, but no
27 claimant shall receive an exemption on more than one residence in any
28 year: PROVIDED FURTHER, That confinement of the person to a hospital
29 or nursing home shall not disqualify the claim of exemption if:

30 (a) The residence is temporarily unoccupied;

31 (b) The residence is occupied by a spouse and/or a person
32 financially dependent on the claimant for support; or

33 (c) The residence is rented for the purpose of paying nursing home
34 or hospital costs;

35 (2) The person claiming the exemption must have owned, at the time
36 of filing, in fee, as a life estate, or by contract purchase, the

1 residence on which the property taxes have been imposed or if the
2 person claiming the exemption lives in a cooperative housing
3 association, corporation, or partnership, such person must own a share
4 therein representing the unit or portion of the structure in which he
5 or she resides. For purposes of this subsection, a residence owned by
6 a marital community or owned by cotenants shall be deemed to be owned
7 by each spouse or cotenant, and any lease for life shall be deemed a
8 life estate;

9 (3) The person claiming the exemption must be sixty-one years of
10 age or older on December 31st of the year in which the exemption claim
11 is filed, or must have been, at the time of filing, retired from
12 regular gainful employment by reason of physical disability: PROVIDED,
13 That any surviving spouse of a person who was receiving an exemption at
14 the time of the person's death shall qualify if the surviving spouse is
15 fifty-seven years of age or older and otherwise meets the requirements
16 of this section;

17 (4) The amount that the person shall be exempt from an obligation
18 to pay shall be calculated on the basis of combined disposable income,
19 as defined in RCW 84.36.383. If the person claiming the exemption was
20 retired for two months or more of the assessment year, the combined
21 disposable income of such person shall be calculated by multiplying the
22 average monthly combined disposable income of such person during the
23 months such person was retired by twelve. If the income of the person
24 claiming exemption is reduced for two or more months of the assessment
25 year by reason of the death of the person's spouse, or when other
26 substantial changes occur in disposable income that are likely to
27 continue for an indefinite period of time, the combined disposable
28 income of such person shall be calculated by multiplying the average
29 monthly combined disposable income of such person after such
30 occurrences by twelve. If it is necessary to estimate income to comply
31 with this subsection, the assessor may require confirming documentation
32 of such income prior to May 31 of the year following application;

33 (5)(a) A person who otherwise qualifies under this section and has
34 a combined disposable income of twenty-eight thousand dollars or less
35 shall be exempt from all excess property taxes; and

36 (b)(i) A person who otherwise qualifies under this section and has
37 a combined disposable income of eighteen thousand dollars or less but
38 greater than fifteen thousand dollars shall be exempt from all regular
39 property taxes on the greater of thirty thousand dollars or thirty

1 percent of the valuation of his or her residence, but not to exceed
2 fifty thousand dollars of the valuation of his or her residence; or

3 (ii) A person who otherwise qualifies under this section and has a
4 combined disposable income of fifteen thousand dollars or less shall be
5 exempt from all regular property taxes on the greater of thirty-four
6 thousand dollars or fifty percent of the valuation of his or her
7 residence; and

8 (6) For a person who otherwise qualifies under this section and has
9 a combined disposable income of twenty-eight thousand dollars or less,
10 the valuation of the residence shall be the true and fair value of the
11 residence on the later of January 1, 1995, or January 1st of the year
12 the person first qualifies under this section. If the person
13 subsequently fails to qualify under this section only for one year
14 because of high income, this same valuation shall be used upon
15 requalification. If the person fails to qualify for more than one year
16 in succession because of high income or fails to qualify for any other
17 reason, the valuation upon requalification shall be the true and fair
18 value on January 1st of the year in which the person requalifies. If
19 the person transfers the exemption under this section to a different
20 residence, the valuation of the different residence shall be the true
21 and fair value of the different residence on January 1st of the year in
22 which the person transfers the exemption.

23 In no event may the valuation under this subsection be greater than
24 the true and fair value of the residence on January 1st of the
25 assessment year.

26 This subsection does not apply to subsequent improvements to the
27 property in the year in which the improvements are made. Subsequent
28 improvements to the property shall be added to the value otherwise
29 determined under this subsection at their true and fair value in the
30 year in which they are made.

31 NEW SECTION. Sec. 8. A new section is added to chapter 84.40 RCW
32 to read as follows:

33 The assessor shall maintain an assessed valuation in accordance
34 with the approved revaluation cycle for a residence owned by a person
35 qualifying for exemption under RCW 84.36.381 in addition to the
36 valuation required under RCW 84.36.381(6). Upon a change in the true
37 and fair value of the residence, the assessor shall notify the person
38 qualifying for exemption under RCW 84.36.381 of the new true and fair

1 value and that the new true and fair value will be used to compute
2 property taxes if the property fails to qualify for exemption under RCW
3 84.36.381.

4 NEW SECTION. **Sec. 9.** Sections 7 and 8 of this act apply to taxes
5 levied in 1995 for collection in 1996 and thereafter.

6 **PART III**
7 **EFFECTIVE DATE**

8 NEW SECTION. **Sec. 10.** (1) Sections 1 through 3 and 7 through 9 of
9 this act are necessary for the immediate preservation of the public
10 peace, health, or safety, or support of the state government and its
11 existing public institutions, and shall take effect July 1, 1995,
12 except sections 7 through 9 of this act shall take effect only if
13 specific funding for the administrative costs of section 7 of this act,
14 referencing this act by bill number, is provided by June 30, 1995, in
15 the omnibus appropriations act. If such funding is not provided,
16 sections 7 through 9 of this act shall be null and void.

17 (2) Section 5 of this act shall take effect on the effective date
18 of chapter 8, Laws of 1994 sp. sess. and shall apply to taxes levied
19 for collection in the following year and thereafter.

20 NEW SECTION. **Sec. 11.** Part headings as used in this act
21 constitute no part of the law.

22 NEW SECTION. **Sec. 12.** If any provision of this act or its
23 application to any person or circumstance is held invalid, the
24 remainder of the act or the application of the provision to other
25 persons or circumstances is not affected.

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