

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1969

56th Legislature
1999 Regular Session

Passed by the House April 20, 1999
Yeas 96 Nays 0

Speaker of the House of Representatives

Speaker of the House of Representatives

Passed by the Senate April 15, 1999
Yeas 46 Nays 1

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

We, Dean R. Foster and Timothy A. Martin, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1969** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

Chief Clerk

FILED

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1969

AS AMENDED BY THE SENATE

Passed Legislature - 1999 Regular Session

State of Washington 56th Legislature 1999 Regular Session

By House Committee on Finance (originally sponsored by Representatives McIntire, Benson, Dunshee, Tokuda, Schual-Berke, Eickmeyer, Scott, Kenney, Dunn, Rockefeller, Conway, Poulsen, Veloria, D. Schmidt, Cody, Ruderman, O'Brien, Edmonds, Lantz, Regala, Murray, Lovick, Santos, Kagi, Haigh and Kessler)

Read first time 03/08/1999.

1 AN ACT Relating to the property tax exemption for nonprofit homes
2 for the aging; amending RCW 84.36.041; and declaring an emergency.

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

4 **Sec. 1.** RCW 84.36.041 and 1998 c 311 s 20 are each amended to read
5 as follows:

6 (1) All real and personal property used by a nonprofit home for the
7 aging that is reasonably necessary for the purposes of the home is
8 exempt from taxation if the benefit of the exemption inures to the home
9 and:

10 (a) At least fifty percent of the occupied dwelling units in the
11 home are occupied by eligible residents; or

12 (b) The home is subsidized under a federal department of housing
13 and urban development program. The department of revenue shall provide
14 by rule a definition of homes eligible for exemption under this
15 subsection (1)(b), consistent with the purposes of this section.

16 (2) All real and personal property used by a nonprofit home for the
17 aging that is reasonably necessary for the purposes of the home is
18 exempt from taxation if the benefit of the exemption inures to the home
19 and the construction, rehabilitation, acquisition, or refinancing of

1 the home is financed under a program using bonds exempt from federal
2 income tax if at least seventy-five percent of the total amount
3 financed uses the tax exempt bonds and the financing program requires
4 the home to reserve a percentage of all dwelling units so financed for
5 low-income residents. The initial term of the exemption under this
6 subsection shall equal the term of the tax exempt bond used in
7 connection with the financing program, or the term of the requirement
8 to reserve dwelling units for low-income residents, whichever is
9 shorter. If the financing program involves less than the entire home,
10 only those dwelling units included in the financing program are
11 eligible for total exemption. The department of revenue shall provide
12 by rule the requirements for monitoring compliance with the provisions
13 of this subsection and the requirements for exemption including:

14 (a) The number or percentage of dwelling units required to be
15 occupied by low-income residents, and a definition of low income;

16 (b) The type and character of the dwelling units, whether
17 independent units or otherwise; and

18 (c) Any particular requirements for continuing care retirement
19 communities.

20 (3) A home for the aging is eligible for a partial exemption on the
21 real property and a total exemption for the home's personal property if
22 the home does not meet the requirements of subsection (1) of this
23 section because fewer than fifty percent of the occupied dwelling units
24 are occupied by eligible residents, as follows:

25 (a) A partial exemption shall be allowed for each dwelling unit in
26 a home occupied by a resident requiring assistance with activities of
27 daily living.

28 (b) A partial exemption shall be allowed for each dwelling unit in
29 a home occupied by an eligible resident.

30 (c) A partial exemption shall be allowed for an area jointly used
31 by a home for the aging and by a nonprofit organization, association,
32 or corporation currently exempt from property taxation under one of the
33 other provisions of this chapter. The shared area must be reasonably
34 necessary for the purposes of the nonprofit organization, association,
35 or corporation exempt from property taxation under one of the other
36 provisions of this chapter, such as kitchen, dining, and laundry areas.

37 (d) The amount of exemption shall be calculated by multiplying the
38 assessed value of the property reasonably necessary for the purposes of
39 the home, less the assessed value of any area exempt under (c) of this

1 subsection, by a fraction. The numerator of the fraction is the number
2 of dwelling units occupied by eligible residents and by residents
3 requiring assistance with activities of daily living. The denominator
4 of the fraction is the total number of occupied dwelling units as of
5 December 31st of the first assessment year the home becomes operational
6 for which exemption is claimed and January 1st of ((the)) each
7 subsequent assessment year for which exemption is claimed.

8 (4) To be exempt under this section, the property must be used
9 exclusively for the purposes for which the exemption is granted, except
10 as provided in RCW 84.36.805.

11 (5) A home for the aging is exempt from taxation only if the
12 organization operating the home is exempt from income tax under section
13 501(c) of the federal internal revenue code as existing on January 1,
14 1989, or such subsequent date as the director may provide by rule
15 consistent with the purposes of this section.

16 (6) In order for the home to be eligible for exemption under
17 subsections (1)(a) and ~~((+2))~~ (3)(b) of this section, each eligible
18 resident of a home for the aging shall submit an income verification
19 form to the county assessor by July 1st of the assessment year ~~((in~~
20 ~~which the application for exemption is made))~~ for which exemption is
21 claimed. However, during the first year a home becomes operational,
22 the county assessor shall accept income verification forms from
23 eligible residents up to December 31st of the assessment year. The
24 income verification form shall be prescribed and furnished by the
25 department of revenue. An eligible resident who has filed a form for
26 a previous year need not file a new form until there is a change in
27 status affecting the person's eligibility.

28 (7) In determining the ~~((assessed))~~ true and fair value of a home
29 for the aging for purposes of the partial exemption provided by
30 subsection (3) of this section, the assessor shall apply the
31 computation method provided by RCW 84.34.060 and shall consider only
32 the use to which such property is applied during the years for which
33 such partial exemptions are available and shall not consider potential
34 uses of such property.

35 (8) As used in this section:

36 (a) "Eligible resident" means a person who:

37 (i) Occupied the dwelling unit as a principal place of residence as
38 of ~~((January 1st))~~ December 31st of the first assessment year the home
39 becomes operational. In each subsequent year, the eligible resident

1 must occupy the dwelling unit as a principal place of residence as of
2 January 1st of the assessment year for which the exemption is claimed.
3 Confinement of the person to a hospital or nursing home does not
4 disqualify the claim of exemption if the dwelling unit is temporarily
5 unoccupied or if the dwelling unit is occupied by a spouse, a person
6 financially dependent on the claimant for support, or both; and

7 (ii) Is sixty-one years of age or older on December 31st of the
8 year in which the exemption claim is filed, or is, at the time of
9 filing, retired from regular gainful employment by reason of physical
10 disability. Any surviving spouse of a person who was receiving an
11 exemption at the time of the person's death shall qualify if the
12 surviving spouse is fifty-seven years of age or older and otherwise
13 meets the requirements of this subsection; and

14 (iii) Has a combined disposable income of no more than the greater
15 of twenty-two thousand dollars or eighty percent of the median income
16 adjusted for family size as most recently determined by the federal
17 department of housing and urban development for the county in which the
18 person resides. For the purposes of determining eligibility under this
19 section, a "cotenant" means a person who resides with an eligible
20 resident and who shares personal financial resources with the eligible
21 resident.

22 (b) "Combined disposable income" means the disposable income of the
23 person submitting the income verification form, plus the disposable
24 income of his or her spouse, and the disposable income of each cotenant
25 occupying the dwelling unit for the preceding calendar year, less
26 amounts paid by the person submitting the income verification form or
27 his or her spouse or cotenant during the previous year for the
28 treatment or care of either person received in the dwelling unit or in
29 a nursing home. If the person submitting the income verification form
30 was retired for two months or more of the preceding year, the combined
31 disposable income of such person shall be calculated by multiplying the
32 average monthly combined disposable income of such person during the
33 months such person was retired by twelve. If the income of the person
34 submitting the income verification form is reduced for two or more
35 months of the preceding year by reason of the death of the person's
36 spouse, the combined disposable income of such person shall be
37 calculated by multiplying the average monthly combined disposable
38 income of such person after the death of the spouse by twelve.

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

7 (i) Capital gains, other than ((~~nonrecognized gain on the sale of~~
8 ~~a principal residence under section 1034 of the federal internal~~
9 ~~revenue code, or~~)) gain excluded from income under section 121 of the
10 federal internal revenue code to the extent it is reinvested in a new
11 principal residence;

12 (ii) Amounts deducted for loss;

13 (iii) Amounts deducted for depreciation;

14 (iv) Pension and annuity receipts;

15 (v) Military pay and benefits other than attendant-care and
16 medical-aid payments;

17 (vi) Veterans benefits other than attendant-care and medical-aid
18 payments;

19 (vii) Federal social security act and railroad retirement benefits;

20 (viii) Dividend receipts; and

21 (ix) Interest received on state and municipal bonds.

22 (d) "Resident requiring assistance with activities of daily living"
23 means a person who requires significant assistance with the activities
24 of daily living and who would be at risk of nursing home placement
25 without this assistance.

26 (e) "Home for the aging" means a residential housing facility that
27 (i) provides a housing arrangement chosen voluntarily by the resident,
28 the resident's guardian or conservator, or another responsible person;
29 (ii) has only residents who are at least sixty-one years of age or who
30 have needs for care generally compatible with persons who are at least
31 sixty-one years of age; and (iii) provides varying levels of care and
32 supervision, as agreed to at the time of admission or as determined
33 necessary at subsequent times of reappraisal.

34 (9) A for-profit home for the aging that converts to nonprofit
35 status after June 11, 1992, and would otherwise be eligible for tax
36 exemption under this section may not receive the tax exemption until
37 five years have elapsed since the conversion. The exemption shall then
38 be ratably granted over the next five years.

1 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 immediately.

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