
SENATE BILL 5160

State of Washington

66th Legislature

2019 Regular Session

By Senators Dhingra, Wellman, Palumbo, Keiser, Rolfes, Das, Randall, Wilson, C., Fortunato, Hasegawa, King, and Kuderer

Read first time 01/15/19. Referred to Committee on Ways & Means.

1 AN ACT Relating to property tax exemptions for service-connected
2 disabled veterans and senior citizens; amending RCW 84.36.381,
3 84.36.383, 84.36.385, and 84.38.020; reenacting and amending RCW
4 84.38.030; creating new sections; providing an effective date; and
5 declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
8 performance statement for the tax preference contained in section 2,
9 chapter . . ., Laws of 2019 (section 2 of this act). This performance
10 statement is only intended to be used for subsequent evaluation of
11 the tax preference. It is not intended to create a private right of
12 action by any party or be used to determine eligibility for
13 preferential tax treatment.

14 (2) The legislature categorizes this tax preference as one
15 intended to provide tax relief for certain businesses or individuals,
16 as indicated in RCW 82.32.808(2)(e).

17 (3) It is the legislature's specific public policy objective to
18 provide tax relief to senior citizens, disabled persons, and
19 veterans. The legislature recognizes that property taxes impose a
20 substantial financial burden on those with fixed incomes and that
21 property tax relief programs have considerable value in addressing

1 this burden. It is the legislature's intent to establish a mechanism
2 for adjusting income thresholds into the future. Income thresholds
3 were last adjusted in 2015.

4 **Sec. 2.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to read
5 as follows:

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

10 (1) The property taxes must have been imposed upon a residence
11 which was occupied by the person claiming the exemption as a
12 principal place of residence as of the time of filing. However, any
13 person who sells, transfers, or is displaced from his or her
14 residence may transfer his or her exemption status to a replacement
15 residence, but no claimant may receive an exemption on more than one
16 residence in any year. Moreover, confinement of the person to a
17 hospital, nursing home, assisted living facility, ~~((or))~~ adult family
18 home, or home of a relative for the purpose of long-term care does
19 not disqualify the claim of exemption if:

20 (a) The residence is temporarily unoccupied;

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

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

25 (2) The person claiming the exemption must have owned, at the
26 time of filing, in fee, as a life estate, or by contract purchase,
27 the residence on which the property taxes have been imposed or if the
28 person claiming the exemption lives in a cooperative housing
29 association, corporation, or partnership, such person must own a
30 share therein representing the unit or portion of the structure in
31 which he or she resides. For purposes of this subsection, a residence
32 owned by a marital community or state registered domestic partnership
33 or owned by cotenants is deemed to be owned by each spouse or each
34 domestic partner or each cotenant, and any lease for life is deemed a
35 life estate;

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

37 (i) Sixty-one years of age or older on December 31st of the year
38 in which the exemption claim is filed, or must have been, at the time

1 of filing, retired from regular gainful employment by reason of
2 disability; or

3 (ii) A veteran of the armed forces of the United States entitled
4 to and receiving compensation from the United States department of
5 veterans affairs at a total disability rating for a service-connected
6 disability.

7 (b) However, any surviving spouse or surviving domestic partner
8 of a person who was receiving an exemption at the time of the
9 person's death will qualify if the surviving spouse or surviving
10 domestic partner is fifty-seven years of age or older and otherwise
11 meets the requirements of this section;

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

29 (5)(a) A person who otherwise qualifies under this section and
30 has a combined disposable income (~~of forty thousand dollars or~~
31 ~~less~~) equal to or less than income threshold 3 is exempt from all
32 excess property taxes, the additional state property tax imposed
33 under RCW 84.52.065(2), and the portion of the regular property taxes
34 authorized pursuant to RCW 84.55.050 and approved by the voters, if
35 the legislative authority of the county or city imposing the
36 additional regular property taxes identified this exemption in the
37 ordinance placing the RCW 84.55.050 measure on the ballot; and

38 (b)(i) A person who otherwise qualifies under this section and
39 has a combined disposable income (~~of thirty-five thousand dollars or~~
40 ~~less but greater than thirty thousand dollars~~) equal to or less than

1 income threshold 2 but greater than income threshold 1 is exempt from
2 all regular property taxes on the greater of fifty thousand dollars
3 or thirty-five percent of the valuation of his or her residence, but
4 not to exceed seventy thousand dollars of the valuation of his or her
5 residence; or

6 (ii) A person who otherwise qualifies under this section and has
7 a combined disposable income (~~(of thirty thousand dollars or less)~~)
8 equal to or less than income threshold 1 is exempt from all regular
9 property taxes on the greater of sixty thousand dollars or sixty
10 percent of the valuation of his or her residence;

11 (6) (a) For a person who otherwise qualifies under this section
12 and has a combined disposable income (~~(of forty thousand dollars or~~
13 ~~less)~~) equal to or less than income threshold 3, the valuation of the
14 residence is the assessed value of the residence on the later of
15 January 1, 1995, or January 1st of the assessment year the person
16 first qualifies under this section. If the person subsequently fails
17 to qualify under this section only for one year because of high
18 income, this same valuation must be used upon requalification. If the
19 person fails to qualify for more than one year in succession because
20 of high income or fails to qualify for any other reason, the
21 valuation upon requalification is the assessed value on January 1st
22 of the assessment year in which the person requalifies. If the person
23 transfers the exemption under this section to a different residence,
24 the valuation of the different residence is the assessed value of the
25 different residence on January 1st of the assessment year in which
26 the person transfers the exemption.

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

30 (c) This subsection does not apply to subsequent improvements to
31 the property in the year in which the improvements are made.
32 Subsequent improvements to the property must be added to the value
33 otherwise determined under this subsection at their true and fair
34 value in the year in which they are made.

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

37 As used in RCW 84.36.381 through 84.36.389, (~~(except where the~~
38 ~~context clearly indicates a different meaning)~~) unless the context
39 clearly requires otherwise:

1 (1) The term "residence" means a single-family dwelling unit
2 whether such unit be separate or part of a multiunit dwelling,
3 including the land on which such dwelling stands not to exceed one
4 acre, except that a residence includes any additional property up to
5 a total of five acres that comprises the residential parcel if this
6 larger parcel size is required under land use regulations. The term
7 also includes a share ownership in a cooperative housing association,
8 corporation, or partnership if the person claiming exemption can
9 establish that his or her share represents the specific unit or
10 portion of such structure in which he or she resides. The term also
11 includes a single-family dwelling situated upon lands the fee of
12 which is vested in the United States or any instrumentality thereof
13 including an Indian tribe or in the state of Washington, and
14 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
15 residence is deemed real property.

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

25 (3) (~~"Department" means the state department of revenue.~~)
26 "Principal place of residence" means a residence occupied for more
27 than nine months each calendar year by a person claiming an exemption
28 under RCW 84.36.381.

29 (4) "Combined disposable income" means the disposable income of
30 the person claiming the exemption, plus the disposable income of his
31 or her spouse or domestic partner, and the disposable income of each
32 cotenant occupying the residence for the assessment year, less
33 amounts paid by the person claiming the exemption or his or her
34 spouse or domestic partner during the assessment year for:

35 (a) Drugs supplied by prescription of a medical practitioner
36 authorized by the laws of this state or another jurisdiction to issue
37 prescriptions;

38 (b) The treatment or care of either person received in the home
39 or in a nursing home, assisted living facility, or adult family home;
40 and

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

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

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

12 (b) Amounts deducted for loss;

13 (c) Amounts deducted for depreciation;

14 (d) Pension and annuity receipts;

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

17 (f) Veterans benefits, other than:

18 (i) Attendant-care payments;

19 (ii) Medical-aid payments;

20 (iii) Disability compensation, as defined in Title 38, part 3,
21 section 3.4 of the code of federal regulations, as of January 1,
22 2008; and

23 (iv) Dependency and indemnity compensation, as defined in Title
24 38, part 3, section 3.5 of the code of federal regulations, as of
25 January 1, 2008;

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

27 (h) Dividend receipts; and

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

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

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

36 (8) "Income threshold 1" means:

37 (a) For taxes levied for collection in calendar years prior to
38 2020, a combined disposable income equal to thirty thousand dollars;
39 and

1 (b) For taxes levied for collection in calendar year 2020 and
2 thereafter, a combined disposable income equal to the greater of
3 "income threshold 1" for the previous year or forty-five percent of
4 the county median household income, adjusted every five years
5 beginning July 1, 2019, as provided in RCW 84.36.385(8).

6 (9) "Income threshold 2" means:

7 (a) For taxes levied for collection in calendar years prior to
8 2020, a combined disposable income equal to thirty-five thousand
9 dollars; and

10 (b) For taxes levied for collection in calendar year 2020 and
11 thereafter, a combined disposable income equal to the greater of
12 "income threshold 2" for the previous year or fifty-five percent of
13 the county median household income, adjusted every five years
14 beginning July 1, 2019, as provided in RCW 84.36.385(8).

15 (10) "Income threshold 3" means:

16 (a) For taxes levied for collection in calendar years prior to
17 2020, a combined disposable income equal to forty thousand dollars;
18 and

19 (b) For taxes levied for collection in calendar year 2020 and
20 thereafter, a combined disposable income equal to the greater of
21 "income threshold 3" for the previous year or sixty-five percent of
22 the county median household income, adjusted every five years
23 beginning July 1, 2019, as provided in RCW 84.36.385(8).

24 (11) "County median household income" means the median household
25 income estimates for the state of Washington by county of the legal
26 address of the principal place of residence, as published by the
27 office of financial management.

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

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

37 (2) A person granted an exemption under RCW 84.36.381 must inform
38 the county assessor of any change in status affecting the person's

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

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

9 (4) At least once every six years, the county assessor must
10 notify those persons receiving an exemption from taxes under RCW
11 84.36.381 of the requirement to file a renewal application. The
12 county assessor may also require a renewal application following an
13 amendment of the income requirements set forth in RCW 84.36.381.

14 (5) If the assessor finds that the applicant does not meet the
15 qualifications as set forth in RCW 84.36.381, as now or hereafter
16 amended, the claim or exemption must be denied but such denial is
17 subject to appeal under the provisions of RCW 84.48.010 and in
18 accordance with the provisions of RCW 84.40.038. If the applicant had
19 received exemption in prior years based on erroneous information, the
20 taxes must be collected subject to penalties as provided in RCW
21 84.40.130 for a period of not to exceed five years.

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

31 (7) The department must provide an option for electronic filing
32 of applications and renewal applications for the exemption under RCW
33 84.36.381.

34 (8) Beginning July 1, 2019, and by January 1st every fifth year
35 thereafter, the department must publish updated income thresholds.
36 The adjusted thresholds must be rounded to the nearest one dollar. If
37 the income threshold adjustment is negative, the income threshold for
38 the prior year continues to apply. The department must adjust income
39 thresholds for each county to reflect the most recent year available
40 of estimated county median household income, including preliminary

1 estimates or projections, as published by the office of financial
2 management. For the purposes of this subsection, "county median
3 household income" has the same meaning as in RCW 84.36.383.

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

6 ~~((Unless a different meaning is plainly required by the context,~~
7 ~~the following words and phrases as hereinafter used in this chapter~~
8 ~~shall have the following meanings:)) The definitions in this section
9 apply throughout this chapter unless the context clearly requires
10 otherwise.~~

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

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

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

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

23 (3) "Income threshold" means:

24 (a) For taxes levied for collection in calendar years prior to
25 2020, a combined disposable income equal to forty-five thousand
26 dollars; and

27 (b) For taxes levied for collection in calendar year 2020 or
28 thereafter, a combined disposable income equal to the greater of the
29 "income threshold" for the previous year, or seventy-five percent of
30 the county median household income, adjusted every five years
31 beginning July 1, 2019, as provided in RCW 84.36.385(8).

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

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

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

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

3 **Sec. 6.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
4 s 313 are each reenacted and amended to read as follows:

5 A claimant may defer payment of special assessments and/or real
6 property taxes on up to eighty percent of the amount of the
7 claimant's equity value in the claimant's residence if the following
8 conditions are met:

9 (1) The claimant must meet all requirements for an exemption for
10 the residence under RCW 84.36.381, other than the age and income
11 limits under RCW 84.36.381.

12 (2) The claimant must be sixty years of age or older on December
13 31st of the year in which the deferral claim is filed, or must have
14 been, at the time of filing, retired from regular gainful employment
15 by reason of disability as defined in RCW 84.36.383. However, any
16 surviving spouse or surviving domestic partner of a person who was
17 receiving a deferral at the time of the person's death qualifies if
18 the surviving spouse or surviving domestic partner is fifty-seven
19 years of age or older and otherwise meets the requirements of this
20 section.

21 (3) The claimant must have a combined disposable income, as
22 defined in RCW 84.36.383, ~~((of forty-five thousand dollars or less))~~
23 equal to or less than the income threshold.

24 (4) The claimant must have owned, at the time of filing, the
25 residence on which the special assessment and/or real property taxes
26 have been imposed. For purposes of this subsection, a residence owned
27 by a marital community, owned by domestic partners, or owned by
28 cotenants is deemed to be owned by each spouse, each domestic
29 partner, or each cotenant. A claimant who has only a share ownership
30 in cooperative housing, a life estate, a lease for life, or a
31 revocable trust does not satisfy the ownership requirement.

32 (5) The claimant must have and keep in force fire and casualty
33 insurance in sufficient amount to protect the interest of the state
34 in the claimant's equity value. However, if the claimant fails to
35 keep fire and casualty insurance in force to the extent of the
36 state's interest in the claimant's equity value, the amount deferred
37 may not exceed one hundred percent of the claimant's equity value in
38 the land or lot only.

1 (6) In the case of special assessment deferral, the claimant must
2 have opted for payment of such special assessments on the installment
3 method if such method was available.

4 NEW SECTION. **Sec. 7.** This act applies to taxes levied for
5 collection in 2020 and thereafter.

6 NEW SECTION. **Sec. 8.** The provisions of RCW 82.32.805 and
7 82.32.808 do not apply to this act.

8 NEW SECTION. **Sec. 9.** This act is necessary for the immediate
9 preservation of the public peace, health, or safety, or support of
10 the state government and its existing public institutions, and takes
11 effect July 1, 2019.

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