
SENATE BILL 5390

State of Washington

66th Legislature

2019 Regular Session

By Senators Becker, Walsh, Bailey, Short, Holy, O'Ban, Rivers, Fortunato, Hawkins, Warnick, Zeiger, Padden, and Wilson, L.

Read first time 01/18/19. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing property tax relief to preserve home
2 ownership; amending RCW 84.36.379, 84.36.383, and 84.36.385; adding a
3 new section to chapter 84.36 RCW; adding a new section to chapter
4 43.20A RCW; and creating new sections.

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

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

13 (2) The legislature categorizes the tax preference as one
14 intended to induce certain designated behavior by taxpayers, as
15 indicated in RCW 82.32.808(2)(a).

16 (3) It is the legislature's specific public policy objective to
17 encourage residential property owners to remain in their place of
18 residence by expanding an existing property tax relief program for
19 persons retired by reason of age or disability.

20 (4) To measure the effectiveness of the tax preferences in this
21 act in achieving the public policy objective described in subsection

1 (3) of this section, the joint legislative audit and review committee
2 must evaluate the tax preference provided in section 2,
3 chapter . . ., Laws of 2019 (section 2 of this act) by January 1,
4 2029.

5 (5) In order to obtain the data necessary to perform the review
6 in subsection (4) of this section, the department of revenue must
7 provide the data specified in RCW 84.36.385. In addition to the data
8 source described under this subsection, the joint legislative audit
9 and review committee may use any other data it deems necessary.

10 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36
11 RCW, to be codified between RCW 84.36.381 and 84.36.389, to read as
12 follows:

13 A person is exempt from any legal obligation to pay the state
14 property tax imposed under RCW 84.52.065(1) due and payable in the
15 year following the year in which a claim is filed, and thereafter, in
16 accordance with the following:

17 (1) The property tax must have been imposed upon a residence
18 which was occupied by the person claiming the exemption as a
19 principal place of residence as of the time of filing. However, any
20 person who sells, transfers, or is displaced from his or her
21 residence may transfer his or her exemption status to a replacement
22 residence, but no claimant may receive an exemption on more than one
23 residence in any year. Moreover, confinement of the person to a
24 hospital, nursing home, assisted living facility, or adult family
25 home does not disqualify the claim of exemption if:

26 (a) The residence is temporarily unoccupied;

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

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

31 (2) The person claiming the exemption must have owned, at the
32 time of filing, in fee, as a life estate, or by contract purchase,
33 the residence on which the property tax has been imposed or if the
34 person claiming the exemption lives in a cooperative housing
35 association, corporation, or partnership, such person must own a
36 share therein representing the unit or portion of the structure in
37 which he or she resides. For purposes of this subsection, a residence
38 owned by a marital community or state registered domestic partnership
39 or owned by cotenants is deemed to be owned by each spouse or each

1 domestic partner or each cotenant, and any lease for life is deemed a
2 life estate;

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

4 (i) Sixty-five years of age or older on December 31st of the year
5 in which the exemption claim is filed, or must have been, at the time
6 of filing, retired from regular gainful employment by reason of
7 disability; or

8 (ii) A veteran of the armed forces of the United States entitled
9 to and receiving compensation from the United States department of
10 veterans affairs at a total disability rating for a service-connected
11 disability.

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

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

32 (5) The person must have either a:

33 (a) Combined disposable income of one hundred thousand dollars or
34 less; or

35 (b) Residence with an assessed value below the county median
36 residential assessed value;

37 (6) A person must have been a Washington resident for at least
38 the prior fifteen years at the time of application if the person
39 would otherwise qualify on the basis of age as provided in subsection
40 (3) of this section;

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

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

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

23 (d) If a person qualifies for the exemption under RCW 84.36.381
24 in a year immediately subsequent to a year in which the person
25 qualifies under this section, the valuation of the residence under
26 this subsection (7) continues to apply;

27 (8) Initial applications for the property tax exemption under
28 this section may not be accepted on or after January 1, 2029.
29 Property owners qualifying for property tax relief under this section
30 in calendar year 2028 may continue to submit renewal applications
31 after January 1, 2029.

32 **Sec. 3.** RCW 84.36.379 and 2005 c 248 s 1 are each amended to
33 read as follows:

34 The legislature finds that the property tax exemption authorized
35 by Article VII, section 10 of the state Constitution should generally
36 be made available on the basis of a retired person's ability to pay
37 property taxes and that the best measure of a retired person's
38 ability to pay taxes is that person's disposable income as defined in
39 RCW 84.36.383. The legislature further finds that veterans with one

1 hundred percent service-connected disabilities have given so much to
2 our country that they deserve property tax relief. The legislature
3 further finds that substantial increases in property values in recent
4 years have made it increasingly difficult for many persons to remain
5 in their homes thereby increasing the need to expand property tax
6 relief to a broader range of older or disabled individuals.

7 **Sec. 4.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
8 read as follows:

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

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

26 (2) The term "real property" also includes a mobile home which
27 has substantially lost its identity as a mobile unit by virtue of its
28 being fixed in location upon land owned or leased by the owner of the
29 mobile home and placed on a foundation (posts or blocks) with fixed
30 pipe, connections with sewer, water, or other utilities. A mobile
31 home located on land leased by the owner of the mobile home is
32 subject, for tax billing, payment, and collection purposes, only to
33 the personal property provisions of chapter 84.56 RCW and RCW
34 84.60.040.

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

36 (4) "Combined disposable income" means the disposable income of
37 the person claiming the exemption, plus the disposable income of his
38 or her spouse or domestic partner, and the disposable income of each
39 cotenant occupying the residence for the assessment year, less

1 amounts paid by the person claiming the exemption or his or her
2 spouse or domestic partner during the assessment year for:

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

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

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

11 (5) "Disposable income" means adjusted gross income as defined in
12 the federal internal revenue code, as amended prior to January 1,
13 1989, or such subsequent date as the director may provide by rule
14 consistent with the purpose of this section, plus all of the
15 following items to the extent they are not included in or have been
16 deducted from adjusted gross income:

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

20 (b) Amounts deducted for loss;

21 (c) Amounts deducted for depreciation;

22 (d) Pension and annuity receipts;

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

25 (f) Veterans benefits, other than:

26 (i) Attendant-care payments;

27 (ii) Medical-aid payments;

28 (iii) Disability compensation, as defined in Title 38, part 3,
29 section 3.4 of the code of federal regulations, as of January 1,
30 2008; and

31 (iv) Dependency and indemnity compensation, as defined in Title
32 38, part 3, section 3.5 of the code of federal regulations, as of
33 January 1, 2008;

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

35 (h) Dividend receipts; and

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

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

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

5 (8) "County median residential assessed value" means the median
6 single family residential value for the county, as most recently
7 determined by the department at the time the property owner submits
8 an initial or renewal application under RCW 84.36.385. County median
9 residential assessed values must be adjusted by the combined
10 indicated ratio and the calculation must exclude vacant parcels and
11 parcels with no taxable value. Counties must provide the department
12 with single-family residential values on an annual basis within two
13 weeks after the assessment rolls have been certified for the tax
14 year.

15 **Sec. 5.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
16 read as follows:

17 (1) A claim for exemption under RCW 84.36.381 or section 2 of
18 this act as now or hereafter amended, may be made and filed at any
19 time during the year for exemption from taxes payable the following
20 year and thereafter and solely upon forms as prescribed and furnished
21 by the department (~~of revenue~~). However, an exemption from tax
22 under RCW 84.36.381 continues for no more than six years unless a
23 renewal application is filed as provided in subsection (3) of this
24 section.

25 (2) A person granted an exemption under RCW 84.36.381 must inform
26 the county assessor of any change in status affecting the person's
27 entitlement to the exemption on forms prescribed and furnished by the
28 department (~~of revenue~~). A person who qualifies under section
29 2(5)(b) of this act based on the assessed value of the applicant's
30 residence must establish that the person's assessed value qualifies
31 under section 2(5) of this act only at the time the person submits an
32 initial or renewal application.

33 (3) Each person exempt from taxes under RCW 84.36.381 or section
34 2 of this act in 1993 and thereafter(~~7~~) must file with the county
35 assessor a renewal application not later than December 31st of the
36 year the assessor notifies such person of the requirement to file the
37 renewal application. Renewal applications must be on forms prescribed
38 and furnished by the department (~~of revenue~~).

1 (4) At least once every six years, the county assessor must
2 notify those persons receiving an exemption from taxes under RCW
3 84.36.381 of the requirement to file a renewal application. The
4 county assessor may also require a renewal application following an
5 amendment of the income requirements set forth in RCW 84.36.381 or
6 section 2 of this act.

7 (5) If the assessor finds that the applicant does not meet the
8 qualifications as set forth in RCW 84.36.381 or section 2 of this
9 act, as now or hereafter amended, the claim or exemption must be
10 denied but such denial is subject to appeal under the provisions of
11 RCW 84.48.010 and in accordance with the provisions of RCW 84.40.038.
12 If the applicant had received exemption in prior years based on
13 erroneous information, the taxes must be collected subject to
14 penalties as provided in RCW 84.40.130 for a period of not to exceed
15 five years.

16 (6) The department and each local assessor is hereby directed to
17 publicize the qualifications and manner of making claims under RCW
18 84.36.381 through 84.36.389, through communications media, including
19 such paid advertisements or notices as it deems appropriate. Notice
20 of the qualifications, method of making applications, the penalties
21 for not reporting a change in status, and availability of further
22 information must be included on or with property tax statements and
23 revaluation notices for all residential property including mobile
24 homes, except rental properties.

25 (7) County assessors must include, as part of the county's parcel
26 assessment data, information indicating whether a parcel qualifies
27 for an exemption under RCW 84.36.381 and section 2 of this act, as
28 well as the specific level of exemption under RCW 84.36.381(5).
29 County assessors must provide the department with this data on an
30 annual basis within two weeks after the assessment rolls have been
31 certified for the tax year.

32 NEW SECTION. Sec. 6. It is the legislature's intent to fund the
33 expanded state tax relief provided in this act through the additional
34 remote seller sales tax revenues resulting from the United States
35 supreme court decision in *South Dakota v. Wayfair*.

36 NEW SECTION. Sec. 7. A new section is added to chapter 43.20A
37 RCW to read as follows:

1 The department of social and health services must work with
2 nursing homes, assisted living facilities, and adult family homes to
3 obtain data regarding the number of individuals residing in these
4 facilities that currently or formerly claimed the exemption under RCW
5 84.36.381 or section 2 of this act for their place of residence.

6 NEW SECTION. **Sec. 8.** This act applies to taxes levied for
7 collection in 2020 and thereafter.

8 NEW SECTION. **Sec. 9.** The automatic expiration date provisions
9 of RCW 82.32.805(1) (a) do not apply to this act.

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