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**SUBSTITUTE HOUSE BILL 1969**

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**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; adding a new section to chapter  
3 84.36 RCW; and declaring an emergency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (d) The amount of exemption shall be calculated by multiplying the  
39 assessed value of the property reasonably necessary for the purposes of

1 the home, less the assessed value of any area exempt under (c) of this  
2 subsection, by a fraction. The numerator of the fraction is the number  
3 of dwelling units occupied by eligible residents and by residents  
4 requiring assistance with activities of daily living. The denominator  
5 of the fraction is the total number of occupied dwelling units as of  
6 (~~January 1st~~) December 31st of the assessment year for which  
7 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~~) December 31st of the  
20 assessment year (~~(in which the application for exemption is made)~~) for  
21 which exemption is claimed. The income verification form shall be  
22 prescribed and furnished by the department of revenue. An eligible  
23 resident who has filed a form for a previous year need not file a new  
24 form until there is a change in status affecting the person's  
25 eligibility.

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

33 (8) As used in this section:

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

35 (i) Occupied the dwelling unit as a principal place of residence  
36 (~~as of January 1st~~) on December 31st of the assessment year for which  
37 the exemption is claimed. Confinement of the person to a hospital or  
38 nursing home does not disqualify the claim of exemption if the dwelling  
39 unit is temporarily unoccupied or if the dwelling unit is occupied by

1 a spouse, a person financially dependent on the claimant for support,  
2 or both; and

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

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

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

35 (c) "Disposable income" means adjusted gross income as defined in  
36 the federal internal revenue code, as amended prior to January 1, 1989,  
37 or such subsequent date as the director may provide by rule consistent  
38 with the purpose of this section, plus all of the following items to

1 the extent they are not included in or have been deducted from adjusted  
2 gross income:

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

8 (ii) Amounts deducted for loss;

9 (iii) Amounts deducted for depreciation;

10 (iv) Pension and annuity receipts;

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

13 (vi) Veterans benefits other than attendant-care and medical-aid  
14 payments;

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

16 (viii) Dividend receipts; and

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

18 (d) "Resident requiring assistance with activities of daily living"  
19 means a person who requires significant assistance with the activities  
20 of daily living and who would be at risk of nursing home placement  
21 without this assistance.

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

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

35 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW  
36 to read as follows:

37 This act applies retroactively to taxes levied for collection in  
38 1997 and thereafter.

1        NEW SECTION.    **Sec. 3.**    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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