

ESSB 5160 - H AMD 826

By Representative Tarleton

ADOPTED 04/27/2019

1 Strike everything after the enacting clause and insert the
2 following:

3 **"Sec. 1.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to
4 read as follows:

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

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

19 ~~((a))~~ (i) The residence is temporarily unoccupied;

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

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

26 (b) For the purpose of this subsection (1), "relative" means any
27 individual related to the claimant by blood, marriage, or adoption;

28 (2) The person claiming the exemption must have owned, at the
29 time of filing, in fee, as a life estate, or by contract purchase,
30 the residence on which the property taxes have been imposed or if the
31 person claiming the exemption lives in a cooperative housing
32 association, corporation, or partnership, such person must own a

1 share therein representing the unit or portion of the structure in
2 which he or she resides. For purposes of this subsection, a residence
3 owned by a marital community or state registered domestic partnership
4 or owned by cotenants is deemed to be owned by each spouse or each
5 domestic partner or each cotenant, and any lease for life is deemed a
6 life estate;

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

8 (i) Sixty-one years of age or older on December 31st of the year
9 in which the exemption claim is filed, or must have been, at the time
10 of filing, retired from regular gainful employment by reason of
11 disability; or

12 (ii) A veteran of the armed forces of the United States entitled
13 to and receiving compensation from the United States department of
14 veterans affairs at ~~((a total disability rating for a service-~~
15 ~~connected disability))~~;

16 (A) A combined service-connected evaluation rating of eighty
17 percent or higher; or

18 (B) A total disability rating for a service-connected disability
19 without regard to evaluation percent.

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

25 (4) The amount that the person is exempt from an obligation to
26 pay is calculated on the basis of combined disposable income, as
27 defined in RCW 84.36.383. If the person claiming the exemption was
28 retired for two months or more of the assessment year, the combined
29 disposable income of such person must be calculated by multiplying
30 the average monthly combined disposable income of such person during
31 the months such person was retired by twelve. If the income of the
32 person claiming exemption is reduced for two or more months of the
33 assessment year by reason of the death of the person's spouse or the
34 person's domestic partner, or when other substantial changes occur in
35 disposable income that are likely to continue for an indefinite
36 period of time, the combined disposable income of such person must be
37 calculated by multiplying the average monthly combined disposable
38 income of such person after such occurrences by twelve. If it is
39 necessary to estimate income to comply with this subsection, the

1 assessor may require confirming documentation of such income prior to
2 May 31 of the year following application;

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

12 (b) (i) A person who otherwise qualifies under this section and
13 has a combined disposable income (~~(of thirty-five thousand dollars or~~
14 ~~less but greater than thirty thousand dollars)) equal to or less than
15 income threshold 2 but greater than income threshold 1 is exempt from
16 all regular property taxes on the greater of fifty thousand dollars
17 or thirty-five percent of the valuation of his or her residence, but
18 not to exceed seventy thousand dollars of the valuation of his or her
19 residence; or~~

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

25 (6) (a) For a person who otherwise qualifies under this section
26 and has a combined disposable income (~~(of forty thousand dollars or~~
27 ~~less)) equal or less than income threshold 3, the valuation of the
28 residence is the assessed value of the residence on the later of
29 January 1, 1995, or January 1st of the assessment year the person
30 first qualifies under this section. If the person subsequently fails
31 to qualify under this section only for one year because of high
32 income, this same valuation must be used upon requalification. If the
33 person fails to qualify for more than one year in succession because
34 of high income or fails to qualify for any other reason, the
35 valuation upon requalification is the assessed value on January 1st
36 of the assessment year in which the person requalifies. If the person
37 transfers the exemption under this section to a different residence,
38 the valuation of the different residence is the assessed value of the
39 different residence on January 1st of the assessment year in which
40 the person transfers the exemption.~~

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

4 (c) This subsection does not apply to subsequent improvements to
5 the property in the year in which the improvements are made.
6 Subsequent improvements to the property must be added to the value
7 otherwise determined under this subsection at their true and fair
8 value in the year in which they are made.

9 **Sec. 2.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
10 read as follows:

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

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

29 (2) The term "real property" also includes a mobile home which
30 has substantially lost its identity as a mobile unit by virtue of its
31 being fixed in location upon land owned or leased by the owner of the
32 mobile home and placed on a foundation (posts or blocks) with fixed
33 pipe, connections with sewer, water, or other utilities. A mobile
34 home located on land leased by the owner of the mobile home is
35 subject, for tax billing, payment, and collection purposes, only to
36 the personal property provisions of chapter 84.56 RCW and RCW
37 84.60.040.

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

1 (4) "Combined disposable income" means the disposable income of
2 the person claiming the exemption, plus the disposable income of his
3 or her spouse or domestic partner, and the disposable income of each
4 cotenant occupying the residence for the assessment year, less
5 amounts paid by the person claiming the exemption or his or her
6 spouse or domestic partner during the assessment year for:

7 (a) Drugs supplied by prescription of a medical practitioner
8 authorized by the laws of this state or another jurisdiction to issue
9 prescriptions;

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

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

15 (5) "Disposable income" means adjusted gross income as defined in
16 the federal internal revenue code, as amended prior to January 1,
17 1989, or such subsequent date as the director may provide by rule
18 consistent with the purpose of this section, plus all of the
19 following items to the extent they are not included in or have been
20 deducted from adjusted gross income:

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

24 (b) Amounts deducted for loss;

25 (c) Amounts deducted for depreciation;

26 (d) Pension and annuity receipts;

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

29 (f) Veterans benefits, other than:

30 (i) Attendant-care payments;

31 (ii) Medical-aid payments;

32 (iii) Disability compensation, as defined in Title 38, part 3,
33 section 3.4 of the code of federal regulations, as of January 1,
34 2008; and

35 (iv) Dependency and indemnity compensation, as defined in Title
36 38, part 3, section 3.5 of the code of federal regulations, as of
37 January 1, 2008;

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

39 (h) Dividend receipts; and

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

1 (6) "Cotenant" means a person who resides with the person
2 claiming the exemption and who has an ownership interest in the
3 residence.

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

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

12 (9) "Income threshold 1" means:

13 (a) For taxes levied for collection in calendar years prior to
14 2020, a combined disposable income equal to thirty thousand dollars;
15 and

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

21 (10) "Income threshold 2" means:

22 (a) For taxes levied for collection in calendar years prior to
23 2020, a combined disposable income equal to thirty-five thousand
24 dollars; and

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

30 (11) "Income threshold 3" means:

31 (a) For taxes levied for collection in calendar years prior to
32 2020, a combined disposable income equal to forty thousand dollars;
33 and

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

1 (12) "Principal place of residence" means a residence occupied
2 for more than nine months each calendar year by a person claiming an
3 exemption under RCW 84.36.381.

4 **Sec. 3.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
5 read as follows:

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

13 (2) A person granted an exemption under RCW 84.36.381 must inform
14 the county assessor of any change in status affecting the person's
15 entitlement to the exemption on forms prescribed and furnished by the
16 department of revenue.

17 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
18 thereafter(~~(7)~~) must file with the county assessor a renewal
19 application not later than December 31 of the year the assessor
20 notifies such person of the requirement to file the renewal
21 application. Renewal applications must be on forms prescribed and
22 furnished by the department of revenue.

23 (4) At least once every six years, the county assessor must
24 notify those persons receiving an exemption from taxes under RCW
25 84.36.381 of the requirement to file a renewal application. The
26 county assessor may also require a renewal application following an
27 amendment of the income requirements set forth in RCW 84.36.381.

28 (5) If the assessor finds that the applicant does not meet the
29 qualifications as set forth in RCW 84.36.381, as now or hereafter
30 amended, the claim or exemption must be denied but such denial is
31 subject to appeal under the provisions of RCW 84.48.010 and in
32 accordance with the provisions of RCW 84.40.038. If the applicant had
33 received exemption in prior years based on erroneous information, the
34 taxes must be collected subject to penalties as provided in RCW
35 84.40.130 for a period of not to exceed five years.

36 (6) The department and each local assessor is hereby directed to
37 publicize the qualifications and manner of making claims under RCW
38 84.36.381 through 84.36.389, through communications media, including
39 such paid advertisements or notices as it deems appropriate. Notice

1 of the qualifications, method of making applications, the penalties
2 for not reporting a change in status, and availability of further
3 information must be included on or with property tax statements and
4 revaluation notices for all residential property including mobile
5 homes, except rental properties.

6 (7) The department must authorize an option for electronic filing
7 of applications and renewal applications for the exemption under RCW
8 84.36.381.

9 (8) Beginning August 1, 2019, and by March 1st every fifth year
10 thereafter, the department must publish updated income thresholds.
11 The adjusted thresholds must be rounded to the nearest one dollar. If
12 the income threshold adjustment is negative, the income threshold for
13 the prior year continues to apply. The department must adjust income
14 thresholds for each county to reflect the most recent year available
15 of estimated county median household incomes, including preliminary
16 estimates or projections, as published by the office of financial
17 management. For the purposes of this subsection, "county median
18 household income" has the same meaning as provided in RCW 84.36.383.

19 (9) Beginning with the adjustment made by March 1, 2024, as
20 provided in subsection (8) of this section, and every second
21 adjustment thereafter, if an income threshold in a county is not
22 adjusted based on percentage of county median income, then the income
23 threshold must be adjusted based on the growth of the consumer price
24 index for all urban consumers (CPI-U) for the prior twelve month
25 period as published by the United States bureau of labor statistics.
26 In no case may the adjustment be greater than one percent. The
27 adjusted thresholds must be rounded to the nearest one dollar. If the
28 income threshold adjustment is negative, the income threshold for the
29 prior year continues to apply.

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

32 ~~((Unless a different meaning is plainly required by the context,~~
33 ~~the following words and phrases as hereinafter used in this chapter~~
34 ~~shall have the following meanings:)) The definitions in this section
35 apply throughout this chapter unless the context clearly requires
36 otherwise.~~

37 (1) (a) "Claimant" means a person who either elects or is required
38 under RCW 84.64.050 to defer payment of the special assessments

1 and/or real property taxes accrued on the claimant's residence by
2 filing a declaration to defer as provided by this chapter.

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

6 (2) (~~("Department" means the state department of revenue.)~~)
7 "Devisee" has the same meaning as provided in RCW 21.35.005.

8 (3) "Equity value" means the amount by which the fair market
9 value of a residence as determined from the records of the county
10 assessor exceeds the total amount of any liens or other obligations
11 against the property.

12 (4) "Heir" has the same meaning as provided in RCW 21.35.005.

13 (5) "Income threshold" means: (a) For taxes levied for collection
14 in calendar years prior to 2020, a combined disposable income equal
15 to forty-five thousand dollars; and (b) for taxes levied for
16 collection in calendar year 2020 and thereafter, a combined
17 disposable income equal to the greater of the income threshold for
18 the previous year, or seventy-five percent of the county median
19 household income, adjusted every five years beginning August 1, 2019,
20 as provided in RCW 84.36.385(8). Beginning with the adjustment made
21 by March 1, 2024, as provided in RCW 84.36.385(8), and every second
22 adjustment thereafter, if the income threshold in a county is not
23 adjusted based on percentage of county median income as provided in
24 this subsection, then the income threshold must be adjusted based on
25 the growth of the consumer price index for all urban consumers (CPI-
26 U) for the prior twelve-month period as published by the United
27 States bureau of labor statistics. In no case may the adjustment be
28 greater than one percent. The adjusted threshold must be rounded to
29 the nearest one dollar. If the income threshold adjustment is
30 negative, the income threshold for the prior year continues to apply.

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

36 (~~(+5)~~) (7) "Real property taxes" means ad valorem property taxes
37 levied on a residence in this state in the preceding calendar year.

38 (~~(+6)~~) (8) "Residence" has the meaning given in RCW 84.36.383.

39 (~~(+7)~~) (9) "Special assessment" means the charge or obligation
40 imposed by a local government upon property specially benefited.

1 **Sec. 5.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
2 s 313 are each reenacted and amended to read as follows:

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

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

10 (2) The claimant must be sixty years of age or older on December
11 31st of the year in which the deferral claim is filed, or must have
12 been, at the time of filing, retired from regular gainful employment
13 by reason of disability as defined in RCW 84.36.383. However, any
14 surviving spouse (~~(or)~~), surviving domestic partner, heir, or devisee
15 of a person who was receiving a deferral at the time of the person's
16 death qualifies if the surviving spouse (~~(or)~~), surviving domestic
17 partner, heir, or devisee is fifty-seven years of age or older and
18 otherwise meets the requirements of this section.

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

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

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

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

1 **Sec. 6.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
2 read as follows:

3 If the claimant declaring his or her intention to defer special
4 assessments or real property tax obligations under this chapter
5 ceases to reside permanently on the property for which the
6 declaration to defer is made between the date of filing the
7 declaration and December 15th of that year, the deferral otherwise
8 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
9 tax roll. However, this section (~~shall~~) does not apply where the
10 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
11 devisee surviving, who is also eligible for deferral of special
12 assessment and/or property taxes.

13 **Sec. 7.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
14 read as follows:

15 Special assessments and/or real property tax obligations deferred
16 under this chapter (~~shall~~) become payable together with interest as
17 provided in RCW 84.38.100:

18 (1) Upon the sale of property which has a deferred special
19 assessment and/or real property tax lien upon it.

20 (2) Upon the death of the claimant with an outstanding deferred
21 special assessment and/or real property tax lien except a surviving
22 spouse (~~or~~), surviving domestic partner, heir, or devisee who is
23 qualified under this chapter may elect to incur the special
24 assessment and/or real property tax lien, which (~~shall~~) is then
25 (~~be~~) payable by that spouse (~~or that~~), domestic partner, heir, or
26 devisee as provided in this section.

27 (3) Upon the condemnation of property with a deferred special
28 assessment and/or real property tax lien upon it by a public or
29 private body exercising eminent domain power, except as otherwise
30 provided in RCW 84.60.070.

31 (4) At such time as the claimant ceases to reside permanently in
32 the residence upon which the deferral has been granted.

33 (5) Upon the failure of any condition set forth in RCW 84.38.030.

34 **Sec. 8.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
35 read as follows:

36 (1) A surviving spouse (~~or~~), surviving domestic partner, heir,
37 or devisee of the claimant may elect to continue the property in its
38 deferred tax status if the property is the residence of the spouse

1 ((~~or~~)), domestic partner, heir, or devisee of the claimant and the
2 spouse ((~~or~~)), domestic partner, heir, or devisee meets the
3 requirements of this chapter.

4 (2) The election under this section to continue the property in
5 its deferred status by the spouse ((~~or~~)), the domestic partner, heir,
6 or devisee of the claimant ((~~shall~~)) must be filed in the same manner
7 as an original claim for deferral is filed under this chapter((~~not~~
8 ~~later than ninety days from the date of the claimant's death~~)).
9 Thereupon, the property with respect to which the deferral of special
10 assessments and/or real property taxes is claimed ((~~shall~~)) must
11 continue to be treated as deferred property. When the property has
12 been continued in its deferred status by the filing of the spouse
13 ((~~or~~)), the domestic partner, heir, or devisee of the claimant of an
14 election under this section, the spouse ((~~or~~)), the domestic partner,
15 heir, or devisee of the claimant may continue the property in its
16 deferred status in subsequent years by filing a claim under this
17 chapter so long as the spouse ((~~or the~~)), domestic partner, heir, or
18 devisee meets the qualifications set out in this section.

19 NEW SECTION. **Sec. 9.** This act applies for taxes levied for
20 collection in 2020 and thereafter.

21 NEW SECTION. **Sec. 10.** The provisions of RCW 82.32.805 and
22 82.32.808 do not apply to this act."

23 Correct the title.

- EFFECT: (1) Removes the tax preference performance statement.
(2) Changes the required disability rating for veterans to
qualify from total disability to 80% disability.
(3) Eliminates requirements for DOR to report to the legislature
about the effects of the act.
(4) Allows that if a county's income thresholds are not adjusted
based on the county median income adjustment, then the threshold must
be adjusted based on the lesser of the consumer price index or 1%
every 10 years.
(5) Makes the act effective for taxes collected in 2020 and
thereafter, rather than 2022.
(6) Makes changes to threshold adjustment dates to reflect
different effective dates.

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