
SUBSTITUTE HOUSE BILL 1355

State of Washington

68th Legislature

2023 Regular Session

By House Finance (originally sponsored by Representatives Wylie, Slatter, Orcutt, Harris, Leavitt, Orwall, Walen, Christian, Couture, Rule, Senn, Stokesbary, Graham, Kloba, Reed, Paul, Donaghy, Pollet, and Callan)

READ FIRST TIME 02/23/23.

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

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

6 **Sec. 1.** RCW 84.36.381 and 2019 c 453 s 1 are each amended to
7 read as follows:

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

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

- 1 (i) The residence is temporarily unoccupied;
- 2 (ii) The residence is occupied by a spouse or a domestic partner
3 and/or a person financially dependent on the claimant for support; or
- 4 (iii) The residence is rented for the purpose of paying nursing
5 home, hospital, assisted living facility, or adult family home costs.

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

8 (2) The person claiming the exemption must have owned, at the
9 time of filing, in fee, as a life estate, or by contract purchase,
10 the residence on which the property taxes have been imposed or if the
11 person claiming the exemption lives in a cooperative housing
12 association, corporation, or partnership, such person must own a
13 share therein representing the unit or portion of the structure in
14 which he or she resides. For purposes of this subsection, a residence
15 owned by a marital community or state registered domestic partnership
16 or owned by cotenants is deemed to be owned by each spouse or each
17 domestic partner or each cotenant, and any lease for life is deemed a
18 life estate;

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

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

24 (ii) A veteran of the armed forces of the United States entitled
25 to and receiving compensation from the United States department of
26 veterans affairs at:

27 (A) A combined service-connected evaluation rating of (~~eighty~~)
28 80 percent or higher; or

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

31 (b) However, any surviving spouse or surviving domestic partner
32 of a person who was receiving an exemption at the time of the
33 person's death will qualify if the surviving spouse or surviving
34 domestic partner is (~~fifty-seven~~) 57 years of age or older and
35 otherwise meets the requirements of this section;

36 (4) (a) The amount that the person is exempt from an obligation to
37 pay is calculated on the basis of combined disposable income, as
38 defined in RCW 84.36.383.

39 (b) If the person claiming the exemption was retired for two
40 months or more of the assessment year, the combined disposable income

1 of such person must be calculated by multiplying the average monthly
2 combined disposable income of such person during the months such
3 person was retired by (~~twelve~~) 12.

4 (c) If the income of the person claiming exemption is reduced for
5 two or more months of the assessment year by reason of the death of
6 the person's spouse or the person's domestic partner, or when other
7 substantial changes occur in disposable income that are likely to
8 continue for an indefinite period of time, the combined disposable
9 income of such person must be calculated by multiplying the average
10 monthly combined disposable income of such person after such
11 occurrences by (~~twelve~~) 12.

12 (d)(i) If the income of the person claiming the exemption
13 increases as a result of a cost-of-living adjustment to social
14 security benefits or supplemental security income in an amount that
15 would disqualify the applicant from eligibility, the applicant is not
16 disqualified but instead maintains eligibility.

17 (ii) The continued eligibility under this subsection applies to
18 applications for property taxes levied for collection in calendar
19 year 2024.

20 (e) If it is necessary to estimate income to comply with this
21 subsection (4), the assessor may require confirming documentation of
22 such income prior to May 31st of the year following application;

23 (5)(a) A person who otherwise qualifies under this section and
24 has a combined disposable income equal (~~to~~) to or less than
25 income threshold 3 is exempt from all excess property taxes, the
26 additional state property tax imposed under RCW 84.52.065(2), and the
27 portion of the regular property taxes authorized pursuant to RCW
28 84.55.050 and approved by the voters, if the legislative authority of
29 the county or city imposing the additional regular property taxes
30 identified this exemption in the ordinance placing the RCW 84.55.050
31 measure on the ballot; and

32 (b)(i) A person who otherwise qualifies under this section and
33 has a combined disposable income equal to or less than income
34 threshold 2 but greater than income threshold 1 is exempt from all
35 regular property taxes on the greater of (~~fifty thousand dollars~~)
36 \$50,000 or (~~thirty-five~~) 35 percent of the valuation of his or her
37 residence, but not to exceed (~~seventy thousand dollars~~) \$70,000 of
38 the valuation of his or her residence; or

39 (ii) A person who otherwise qualifies under this section and has
40 a combined disposable income equal to or less than income threshold 1

1 is exempt from all regular property taxes on the greater of (~~sixty~~
2 ~~thousand dollars~~) \$60,000 or (~~sixty~~) 60 percent of the valuation
3 of his or her residence;

4 (6) (a) For a person who otherwise qualifies under this section
5 and has a combined disposable income equal (~~to~~) to or less than
6 income threshold 3, the valuation of the residence is the assessed
7 value of the residence on the later of January 1, 1995, or January
8 1st of the assessment year the person first qualifies under this
9 section. If the person subsequently fails to qualify under this
10 section only for one year because of high income, this same valuation
11 must be used upon requalification. If the person fails to qualify for
12 more than one year in succession because of high income or fails to
13 qualify for any other reason, the valuation upon requalification is
14 the assessed value on January 1st of the assessment year in which the
15 person requalifies. If the person transfers the exemption under this
16 section to a different residence, the valuation of the different
17 residence is the assessed value of the different residence on January
18 1st of the assessment year in which the person transfers the
19 exemption.

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

23 (c) This subsection does not apply to subsequent improvements to
24 the property in the year in which the improvements are made.
25 Subsequent improvements to the property must be added to the value
26 otherwise determined under this subsection at their true and fair
27 value in the year in which they are made.

28 **Sec. 2.** RCW 84.36.383 and 2021 c 220 s 1 are each amended to
29 read as follows:

30 As used in RCW 84.36.381 through 84.36.389, unless the context
31 clearly requires otherwise:

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

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

4 (b) The treatment or care of either person received in the home
5 or in a nursing home, assisted living facility, or adult family home;

6 (c) Health care insurance premiums for medicare under Title XVIII
7 of the social security act;

8 (d) Costs related to medicare supplemental policies as defined in
9 Title 42 U.S.C. Sec. 1395ss;

10 (e) Durable medical equipment, mobility enhancing equipment,
11 medically prescribed oxygen, and prosthetic devices as defined in RCW
12 82.08.0283;

13 (f) Long-term care insurance as defined in RCW 48.84.020;

14 (g) Cost-sharing amounts as defined in RCW 48.43.005;

15 (h) Nebulizers as defined in RCW 82.08.803;

16 (i) Medicines of mineral, animal, and botanical origin
17 prescribed, administered, dispensed, or used in the treatment of an
18 individual by a person licensed under chapter 18.36A RCW;

19 (j) Ostomic items as defined in RCW 82.08.804;

20 (k) Insulin for human use;

21 (l) Kidney dialysis devices; and

22 (m) Disposable devices used to deliver drugs for human use as
23 defined in RCW 82.08.935.

24 (2) "Cotenant" means a person who resides with the person
25 claiming the exemption and who has an ownership interest in the
26 residence.

27 (3) "County median household income" means the median household
28 income estimates for the state of Washington by county of the legal
29 address of the principal place of residence, as published by the
30 office of financial management.

31 (4) "Department" means the state department of revenue.

32 (5) "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 (6) "Disposable income" means adjusted gross income as defined in
37 the federal internal revenue code, as amended prior to January 1,
38 1989, or such subsequent date as the director may provide by rule
39 consistent with the purpose of this section, plus all of the

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

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

6 (b) Amounts deducted for loss;

7 (c) Amounts deducted for depreciation;

8 (d) Pension and annuity receipts;

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

11 (f) Veterans benefits, other than:

12 (i) Attendant-care payments;

13 (ii) Medical-aid payments;

14 (iii) Disability compensation, as defined in Title 38, part 3,
15 section 3.4 of the Code of Federal Regulations, as of January 1,
16 2008; and

17 (iv) Dependency and indemnity compensation, as defined in Title
18 38, part 3, section 3.5 of the Code of Federal Regulations, as of
19 January 1, 2008;

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

21 (h) Dividend receipts; and

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

23 (7) "Income threshold 1" means:

24 (a) For taxes levied for collection in calendar years prior to
25 2020, a combined disposable income equal to (~~thirty thousand~~
26 ~~dollars~~) \$30,000; (~~and~~)

27 (b) For taxes levied for collection in calendar years 2020 (~~and~~
28 ~~thereafter~~) through 2023, a combined disposable income equal to the
29 greater of "income threshold 1" for the previous year or (~~forty-~~
30 ~~five~~) 45 percent of the county median household income (~~(, adjusted~~
31 ~~every five years beginning August 1, 2019, as provided in RCW~~
32 ~~84.36.385(8))~~); and

33 (c) For taxes levied for collection in calendar year 2024 and
34 thereafter, a combined disposable income equal to the greater of
35 "income threshold 1" for the previous year or 50 percent of the
36 county median household income, adjusted every three years beginning
37 August 1, 2023, as provided in RCW 84.36.385(8).

38 (8) "Income threshold 2" means:

1 (a) For taxes levied for collection in calendar years prior to
2 2020, a combined disposable income equal to (~~thirty-five thousand~~
3 ~~dollars~~) \$35,000; (~~and~~)

4 (b) For taxes levied for collection in calendar years 2020 (~~and~~
5 ~~thereafter~~) through 2023, a combined disposable income equal to the
6 greater of "income threshold 2" for the previous year or (~~fifty-~~
7 ~~five~~) 55 percent of the county median household income(~~(, adjusted~~
8 ~~every five years beginning August 1, 2019, as provided in RCW~~
9 ~~84.36.385(8))~~); and

10 (c) For taxes levied for collection in calendar year 2024 and
11 thereafter, a combined disposable income equal to the greater of
12 "income threshold 2" for the previous year or 60 percent of the
13 county median household income, adjusted every three years beginning
14 August 1, 2023, as provided in RCW 84.36.385(8).

15 (9) "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~~
18 ~~dollars~~) \$40,000; (~~and~~)

19 (b) For taxes levied for collection in calendar years 2020 (~~and~~
20 ~~thereafter~~) through 2023, a combined disposable income equal to the
21 greater of "income threshold 3" for the previous year or (~~sixty-~~
22 ~~five~~) 65 percent of the county median household income(~~(, adjusted~~
23 ~~every five years beginning August 1, 2019, as provided in RCW~~
24 ~~84.36.385(8))~~); and

25 (c) For taxes levied for collection in calendar year 2024 and
26 thereafter, a combined disposable income equal to the greater of
27 "income threshold 3" for the previous year or 70 percent of the
28 county median household income, adjusted every three years beginning
29 August 1, 2023, as provided in RCW 84.36.385(8).

30 (10) "Principal place of residence" means a residence occupied
31 for more than six months each calendar year by a person claiming an
32 exemption under RCW 84.36.381.

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

1 the personal property provisions of chapter 84.56 RCW and RCW
2 84.60.040.

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

18 **Sec. 3.** RCW 84.36.385 and 2021 c 145 s 24 are each amended to
19 read as follows:

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

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

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

37 (4) At least once every six years, the county assessor must
38 notify those persons receiving an exemption from taxes under RCW
39 84.36.381 of the requirement to file a renewal application. The

1 county assessor may also require a renewal application following an
2 amendment of the income requirements set forth in RCW 84.36.381.

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

11 (6) The department and each local assessor is hereby directed to
12 publicize the qualifications and manner of making claims under RCW
13 84.36.381 through 84.36.389, through communications media, including
14 such paid advertisements or notices as it deems appropriate. Notice
15 of the qualifications, method of making applications, the penalties
16 for not reporting a change in status, and availability of further
17 information must be included on or with property tax statements and
18 revaluation notices for all residential property including mobile
19 homes, except rental properties.

20 (7) The department must authorize an option for electronic filing
21 of applications and renewal applications for the exemption under RCW
22 84.36.381.

23 (8) Beginning August 1, (~~(2019)~~) 2023, and by March 1st every
24 (~~(fifth)~~) third year thereafter, the department must publish updated
25 income thresholds. The adjusted thresholds must be rounded up to the
26 nearest one thousand dollars. If the income threshold adjustment is
27 negative, the income threshold for the prior year continues to apply.
28 The department must adjust income thresholds for each county to
29 reflect the most recent year available of estimated county median
30 household incomes, including preliminary estimates or projections, as
31 published by the office of financial management. For the purposes of
32 this subsection, "county median household income" has the same
33 meaning as provided in RCW 84.36.383.

34 (9) Beginning with the adjustment made by (~~(March 1, 2024)~~)
35 August 1, 2023, as provided in subsection (8) of this section, and
36 every (~~(second)~~) adjustment thereafter, if an income threshold in a
37 county is not adjusted based on percentage of county median income,
38 then the income threshold must be adjusted based on the growth of the
39 seasonally adjusted consumer price index for all urban consumers
40 (CPI-U) for the prior twelve month period as published by the United

1 States bureau of labor statistics. In no case may the adjustment be
2 greater than one percent. The adjusted thresholds must be rounded to
3 the nearest one dollar. If the income threshold adjustment is
4 negative, the income threshold for the prior year continues to apply.

5 **Sec. 4.** RCW 84.38.020 and 2019 c 453 s 4 are each amended to
6 read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

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

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

16 (2) "Devisee" has the same meaning as provided in RCW 21.35.005.

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

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

22 (5) "Income threshold" means: (a) For taxes levied for collection
23 in calendar years prior to 2020, a combined disposable income equal
24 to (~~forty-five thousand dollars~~) \$45,000; and (b) for taxes levied
25 for collection in calendar year 2020 and thereafter, a combined
26 disposable income equal to the greater of the income threshold for
27 the previous year, or (~~seventy-five~~) 75 percent of the county
28 median household income, adjusted every (~~five~~) three years
29 beginning August 1, (~~2019~~) 2023, as provided in RCW 84.36.385(8).
30 Beginning with the adjustment made by (~~March 1, 2024~~) August 1,
31 2023, as provided in RCW 84.36.385(8), (~~and every second adjustment~~
32 ~~thereafter,~~) if the income threshold in a county is not adjusted
33 based on percentage of county median income as provided in this
34 subsection, then the income threshold must be adjusted based on the
35 growth of the consumer price index for all urban consumers (CPI-U)
36 for the prior twelve-month period as published by the United States
37 bureau of labor statistics. In no case may the adjustment be greater
38 than one percent. The adjusted threshold must be rounded to the

1 nearest one dollar. If the income threshold adjustment is negative,
2 the income threshold for the prior year continues to apply.

3 (6) "Local government" means any city, town, county, water-sewer
4 district, public utility district, port district, irrigation
5 district, flood control district, or any other municipal corporation,
6 quasi-municipal corporation, or other political subdivision
7 authorized to levy special assessments.

8 (7) "Real property taxes" means ad valorem property taxes levied
9 on a residence in this state in the preceding calendar year.

10 (8) "Residence" has the meaning given in RCW 84.36.383.

11 (9) "Special assessment" means the charge or obligation imposed
12 by a local government upon property specially benefited.

13 NEW SECTION. **Sec. 5.** (1) Subject to the availability of funds
14 appropriated for this specific purpose, the department of revenue
15 must engage in statewide outreach to provide public notification of
16 the changes in income thresholds as the result of this act, as well
17 as information on the application process for the exemption under RCW
18 84.36.381.

19 (2) This section expires June 30, 2024.

20 NEW SECTION. **Sec. 6.** RCW 82.32.805 and 82.32.808 do not apply
21 to this act.

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