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**HOUSE BILL 1355**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**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 01/16/23. Referred to Committee on Finance.

1 AN ACT Relating to updating property tax exemptions for service-  
2 connected disabled veterans and senior citizens; and amending RCW  
3 84.36.383, 84.36.385, and 84.38.020.

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

5 **Sec. 1.** RCW 84.36.383 and 2021 c 220 s 1 are each amended to  
6 read as follows:

7 As used in RCW 84.36.381 through 84.36.389, unless the context  
8 clearly requires otherwise:

9 (1) "Combined disposable income" means the disposable income of  
10 the person claiming the exemption, plus the disposable income of his  
11 or her spouse or domestic partner, and the disposable income of each  
12 cotenant occupying the residence for the assessment year, less  
13 amounts paid by the person claiming the exemption or his or her  
14 spouse or domestic partner during the assessment year for:

15 (a) Drugs supplied by prescription of a medical practitioner  
16 authorized by the laws of this state or another jurisdiction to issue  
17 prescriptions;

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

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

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

3 (e) Durable medical equipment, mobility enhancing equipment,  
4 medically prescribed oxygen, and prosthetic devices as defined in RCW  
5 82.08.0283;

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

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

8 (h) Nebulizers as defined in RCW 82.08.803;

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

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

13 (k) Insulin for human use;

14 (l) Kidney dialysis devices; and

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

17 (2) "Cotenant" means a person who resides with the person  
18 claiming the exemption and who has an ownership interest in the  
19 residence.

20 (3) "County median household income" means the median household  
21 income estimates for the state of Washington by county of the legal  
22 address of the principal place of residence, as published by the  
23 office of financial management.

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

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

29 (6) "Disposable income" means adjusted gross income as defined in  
30 the federal internal revenue code, as amended prior to January 1,  
31 1989, or such subsequent date as the director may provide by rule  
32 consistent with the purpose of this section, plus all of the  
33 following items to the extent they are not included in or have been  
34 deducted from adjusted gross income:

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

38 (b) Amounts deducted for loss;

39 (c) Amounts deducted for depreciation;

40 (d) Pension and annuity receipts;

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

3 (f) Veterans benefits, other than:

4 (i) Attendant-care payments;

5 (ii) Medical-aid payments;

6 (iii) Disability compensation, as defined in Title 38, part 3,  
7 section 3.4 of the Code of Federal Regulations, as of January 1,  
8 2008; and

9 (iv) Dependency and indemnity compensation, as defined in Title  
10 38, part 3, section 3.5 of the Code of Federal Regulations, as of  
11 January 1, 2008;

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

13 (h) Dividend receipts; and

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

15 (7) "Income threshold 1" means ((÷

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

19 ~~(b) For~~), for taxes levied for collection in calendar year  
20 ((2020)) 2024 and thereafter, a combined disposable income equal to  
21 the greater of ((~~"income threshold 1"~~)) \$30,000 for the previous year  
22 or ((~~forty-five~~)) 50 percent of the county median household income,  
23 adjusted every ((~~five~~)) three years beginning August 1, ((2019))  
24 2023, as provided in RCW 84.36.385(8).

25 (8) "Income threshold 2" means ((÷

26 ~~(a) For taxes levied for collection in calendar years prior to~~  
27 ~~2020, a combined disposable income equal to thirty-five thousand~~  
28 ~~dollars; and~~

29 ~~(b) For~~), for taxes levied for collection in calendar year  
30 ((2020)) 2024 and thereafter, a combined disposable income equal to  
31 the greater of ((~~"income threshold 2"~~)) \$35,000 for the previous year  
32 or ((~~fifty-five~~)) 60 percent of the county median household income,  
33 adjusted every ((~~five~~)) three years beginning August 1, ((2019))  
34 2023, as provided in RCW 84.36.385(8).

35 (9) "Income threshold 3" means ((÷

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

39 ~~(b) For~~), for taxes levied for collection in calendar year  
40 ((2020)) 2024 and thereafter, a combined disposable income equal to

1 the greater of (~~"income threshold 3"~~) \$40,000 for the previous year  
2 or (~~sixty-five~~) 70 percent of the county median household income,  
3 adjusted every (~~five~~) three years beginning August 1, (~~2019~~)  
4 2023, as provided in RCW 84.36.385(8).

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

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

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

32 **Sec. 2.** RCW 84.36.385 and 2021 c 145 s 24 are each amended to  
33 read as follows:

34 (1) A claim for exemption under RCW 84.36.381 as now or hereafter  
35 amended, may be made and filed at any time during the year for  
36 exemption from taxes payable the following year and thereafter and  
37 solely upon forms as prescribed and furnished by the department of  
38 revenue. However, an exemption from tax under RCW 84.36.381 continues

1 for no more than six years unless a renewal application is filed as  
2 provided in subsection (3) of this section.

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

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

13 (4) At least once every six years, the county assessor must  
14 notify those persons receiving an exemption from taxes under RCW  
15 84.36.381 of the requirement to file a renewal application. The  
16 county assessor may also require a renewal application following an  
17 amendment of the income requirements set forth in RCW 84.36.381.

18 (5) If the assessor finds that the applicant does not meet the  
19 qualifications as set forth in RCW 84.36.381, as now or hereafter  
20 amended, the claim or exemption must be denied but such denial is  
21 subject to appeal under the provisions of RCW 84.48.010 and in  
22 accordance with the provisions of RCW 84.40.038. If the applicant had  
23 received exemption in prior years based on erroneous information, the  
24 taxes must be collected subject to penalties as provided in RCW  
25 84.40.130 for a period of not to exceed five years.

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

35 (7) The department must authorize an option for electronic filing  
36 of applications and renewal applications for the exemption under RCW  
37 84.36.381.

38 (8) Beginning August 1, (~~(2019)~~) 2023, and by March 1st every  
39 (~~(fifth)~~) third year thereafter, the department must publish updated  
40 income thresholds. The adjusted thresholds must be rounded up to the

1 nearest one thousand dollars. If the income threshold adjustment is  
2 negative, the income threshold for the prior year continues to apply.  
3 The department must adjust income thresholds for each county to  
4 reflect the most recent year available of estimated county median  
5 household incomes, including preliminary estimates or projections, as  
6 published by the office of financial management. For the purposes of  
7 this subsection, "county median household income" has the same  
8 meaning as provided in RCW 84.36.383.

9 (9) Beginning with the adjustment made by ~~((March 1, 2024))~~  
10 August 1, 2023, as provided in subsection (8) of this section, and  
11 every ~~((second))~~ adjustment thereafter, if an income threshold in a  
12 county is not adjusted based on percentage of county median income,  
13 then the income threshold must be adjusted based on the growth of the  
14 seasonally adjusted consumer price index for all urban consumers  
15 (CPI-U) for the prior twelve month period as published by the United  
16 States bureau of labor statistics. In no case may the adjustment be  
17 greater than one percent. The adjusted thresholds must be rounded to  
18 the nearest one dollar. If the income threshold adjustment is  
19 negative, the income threshold for the prior year continues to apply.

20 **Sec. 3.** RCW 84.38.020 and 2019 c 453 s 4 are each amended to  
21 read as follows:

22 The definitions in this section apply throughout this chapter  
23 unless the context clearly requires otherwise.

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

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

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

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

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

37 (5) "Income threshold" means ~~((:(a) For)),~~ for taxes levied for  
38 collection in calendar ~~((years prior to 2020, a combined disposable~~  
39 ~~income equal to forty-five thousand dollars; and (b) for taxes levied~~

1 ~~for collection in calendar~~) year ((2020)) 2024 and thereafter, a  
2 combined disposable income equal to the greater of the income  
3 threshold for the previous year, or seventy-five percent of the  
4 county median household income, adjusted every ((~~five~~)) three years  
5 beginning August 1, ((2019)) 2023, as provided in RCW 84.36.385(8).  
6 Beginning with the adjustment made by ((~~March 1, 2024~~)) August 1,  
7 2023, as provided in RCW 84.36.385(8), ((~~and every second adjustment~~  
8 ~~thereafter,~~)) if the income threshold in a county is not adjusted  
9 based on percentage of county median income as provided in this  
10 subsection, then the income threshold must be adjusted based on the  
11 growth of the consumer price index for all urban consumers (CPI-U)  
12 for the prior twelve-month period as published by the United States  
13 bureau of labor statistics. In no case may the adjustment be greater  
14 than one percent. The adjusted threshold must be rounded to the  
15 nearest one dollar. If the income threshold adjustment is negative,  
16 the income threshold for the prior year continues to apply.

17 (6) "Local government" means any city, town, county, water-sewer  
18 district, public utility district, port district, irrigation  
19 district, flood control district, or any other municipal corporation,  
20 quasi-municipal corporation, or other political subdivision  
21 authorized to levy special assessments.

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

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

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

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