

CERTIFICATION OF ENROLLMENT

**SECOND ENGROSSED SUBSTITUTE SENATE BILL 5001**

Chapter 8, Laws of 1995

54th Legislature  
1995 First Special Session

PROPERTY TAX EXEMPTIONS FOR SENIOR CITIZENS AND PERSONS  
RETIRED BECAUSE OF PHYSICAL DISABILITY--REVISIONS

EFFECTIVE DATE: 7/1/95

Passed by the Senate May 23, 1995  
YEAS 40 NAYS 6

JOEL PRITCHARD

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**President of the Senate**

Passed by the House May 23, 1995  
YEAS 97 NAYS 0

CLYDE BALLARD

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**Speaker of the  
House of Representatives**

Approved June 14, 1995

MIKE LOWRY

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**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND ENGROSSED SUBSTITUTE SENATE SENATE BILL 5001** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

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**Secretary**

FILED

June 14, 1995 - 10:16 a.m.

**Secretary of State  
State of Washington**

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SECOND ENGROSSED SUBSTITUTE SENATE BILL 5001

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Passed Legislature - 1995 First Special Session

State of Washington

54th Legislature

1995 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Sheldon, Snyder, Haugen, Winsley, Quigley, Franklin, Rasmussen and Prentice)

Read first time 01/23/95.

1 AN ACT Relating to the property taxation of senior citizens and  
2 persons retired because of physical disability; amending RCW 84.36.381  
3 and 84.36.383; adding a new section to chapter 84.40 RCW; creating new  
4 sections; repealing 1994 sp.s. c 8 s 3 (uncodified); providing an  
5 effective date; and declaring an emergency.

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

7 **Sec. 1.** RCW 84.36.381 and 1994 sp.s. c 8 s 1 are each amended to  
8 read as follows:

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

13 (1) The property taxes must have been imposed upon a residence  
14 which was occupied by the person claiming the exemption as a principal  
15 place of residence as of the time of filing: PROVIDED, That any person  
16 who sells, transfers, or is displaced from his or her residence may  
17 transfer his or her exemption status to a replacement residence, but no  
18 claimant shall receive an exemption on more than one residence in any

1 year: PROVIDED FURTHER, That confinement of the person to a hospital  
2 or nursing home shall not disqualify the claim of exemption if:

3 (a) The residence is temporarily unoccupied;

4 (b) The residence is occupied by a spouse and/or a person  
5 financially dependent on the claimant for support; or

6 (c) The residence is rented for the purpose of paying nursing home  
7 or hospital costs;

8 (2) The person claiming the exemption must have owned, at the time  
9 of filing, in fee, as a life estate, or by contract purchase, the  
10 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 share  
13 therein representing the unit or portion of the structure in which he  
14 or she resides. For purposes of this subsection, a residence owned by  
15 a marital community or owned by cotenants shall be deemed to be owned  
16 by each spouse or cotenant, and any lease for life shall be deemed a  
17 life estate;

18 (3) The person claiming the exemption must be sixty-one years of  
19 age or older on December 31st of the year in which the exemption claim  
20 is filed, or must have been, at the time of filing, retired from  
21 regular gainful employment by reason of physical disability: PROVIDED,  
22 That any surviving spouse of a person who was receiving an exemption at  
23 the time of the person's death shall qualify if the surviving spouse is  
24 fifty-seven years of age or older and otherwise meets the requirements  
25 of this section;

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

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

3 (5)(a) A person who otherwise qualifies under this section and has  
4 a combined disposable income of twenty-eight thousand dollars or less  
5 shall be exempt from all excess property taxes; and

6 (b)(i) A person who otherwise qualifies under this section and has  
7 a combined disposable income of eighteen thousand dollars or less but  
8 greater than fifteen thousand dollars shall be exempt from all regular  
9 property taxes on the greater of thirty thousand dollars or thirty  
10 percent of the valuation of his or her residence, but not to exceed  
11 fifty thousand dollars of the valuation of his or her residence; or

12 (ii) A person who otherwise qualifies under this section and has a  
13 combined disposable income of fifteen thousand dollars or less shall be  
14 exempt from all regular property taxes on the greater of thirty-four  
15 thousand dollars or fifty percent of the valuation of his or her  
16 residence; and

17 ~~(6) ((For a person who otherwise qualifies under this section and  
18 has a combined disposable income of twenty-eight thousand dollars or  
19 less, the taxable value of the residence shall not exceed the lesser of  
20 (a) the assessed value of the residence as reduced by the exemption  
21 under subsection (5) of this section, if any, or (b) the taxable value  
22 of the residence for the previous year, increased by the inflation  
23 factor for the assessment year. For counties that do not revalue  
24 property annually, the amount under (b) of this subsection shall be the  
25 previous taxable value increased by the inflation factor for each  
26 assessment year since the previous revaluation of the residence. As  
27 used in this section, "inflation factor" means the percentage change  
28 used by the federal government in adjusting social security payments  
29 for inflation at the beginning of each year. The department shall  
30 provide inflation factors to the county assessors annually)) For a  
31 person who otherwise qualifies under this section and has a combined  
32 disposable income of twenty-eight thousand dollars or less, the  
33 valuation of the residence shall be the true and fair value of the  
34 residence on the later of January 1, 1995, or January 1st of the year  
35 the person first qualifies under this section. If the person  
36 subsequently fails to qualify under this section only for one year  
37 because of high income, this same valuation shall be used upon  
38 requalification. If the person fails to qualify for more than one year  
39 in succession because of high income or fails to qualify for any other~~

1 reason, the valuation upon requalification shall be the true and fair  
2 value on January 1st of the year in which the person requalifies. If  
3 the person transfers the exemption under this section to a different  
4 residence, the valuation of the different residence shall be the true  
5 and fair value of the different residence on January 1st of the year in  
6 which the person transfers the exemption.

7 In no event may the valuation under this subsection be greater than  
8 the true and fair value of the residence on January 1st of the  
9 assessment year.

10 This subsection does not apply to subsequent improvements to the  
11 property in the year in which the improvements are made. Subsequent  
12 improvements to the property shall be added to the value otherwise  
13 determined under this subsection at their true and fair value in the  
14 year in which they are made.

15 **Sec. 2.** RCW 84.36.383 and 1994 sp.s. c 8 s 2 are each amended to  
16 read as follows:

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

19 (1) The term "residence" shall mean a single family dwelling unit  
20 whether such unit be separate or part of a multiunit dwelling,  
21 including the land on which such dwelling stands not to exceed one  
22 acre. The term shall also include a share ownership in a cooperative  
23 housing association, corporation, or partnership if the person claiming  
24 exemption can establish that his or her share represents the specific  
25 unit or portion of such structure in which he or she resides. The term  
26 shall also include a single family dwelling situated upon lands the fee  
27 of which is vested in the United States or any instrumentality thereof  
28 including an Indian tribe or in the state of Washington, and  
29 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
30 residence shall be deemed real property.

31 (2) The term "real property" shall also include a mobile home which  
32 has substantially lost its identity as a mobile unit by virtue of its  
33 being fixed in location upon land owned or leased by the owner of the  
34 mobile home and placed on a foundation (posts or blocks) with fixed  
35 pipe, connections with sewer, water, or other utilities: PROVIDED,  
36 That a mobile home located on land leased by the owner of the mobile  
37 home shall be subject, for tax billing, payment, and collection

1 purposes, only to the personal property provisions of chapter 84.56 RCW  
2 and RCW 84.60.040.

3 (3) "Department" shall mean the state department of revenue.

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

10 (a) Drugs supplied by prescription of a medical practitioner  
11 authorized by the laws of this state or another jurisdiction to issue  
12 prescriptions; and

13 (b) The treatment or care of either person received in the home or  
14 in a nursing home.

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

21 (a) Capital gains, other than nonrecognized gain on the sale of a  
22 principal residence under section 1034 of the federal internal revenue  
23 code, or gain excluded from income under section 121 of the federal  
24 internal revenue code to the extent it is reinvested in a new principal  
25 residence;

26 (b) Amounts deducted for loss;

27 (c) Amounts deducted for depreciation;

28 (d) Pension and annuity receipts;

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

31 (f) Veterans benefits other than attendant-care and medical-aid  
32 payments;

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

34 (h) Dividend receipts; and

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

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

1        NEW SECTION.    **Sec. 3.** A new section is added to chapter 84.40 RCW  
2 to read as follows:

3        The assessor shall maintain an assessed valuation in accordance  
4 with the approved revaluation cycle for a residence owned by a person  
5 qualifying for exemption under RCW 84.36.381 in addition to the  
6 valuation required under RCW 84.36.381(6). Upon a change in the true  
7 and fair value of the residence, the assessor shall notify the person  
8 qualifying for exemption under RCW 84.36.381 of the new true and fair  
9 value and that the new true and fair value will be used to compute  
10 property taxes if the property fails to qualify for exemption under RCW  
11 84.36.381.

12        NEW SECTION.    **Sec. 4.** The department of revenue shall review the  
13 effect of the valuation freeze in RCW 84.36.381(6) on taxpayers who are  
14 not eligible for the freeze. The department shall develop alternative  
15 methods that could be used to prevent tax shifts as a result of the  
16 freeze, and report on those alternatives to the fiscal committees of  
17 the senate and house of representatives on or before December 31, 1995.

18        NEW SECTION.    **Sec. 5.** 1994 sp.s. c 8 s 3 (uncodified) is repealed.

19        NEW SECTION.    **Sec. 6.** Chapter 8, Laws of 1994 sp. sess. shall take  
20 effect July 1, 1995, and shall be effective for taxes levied in 1995  
21 for collection in 1996 and thereafter.

22        NEW SECTION.    **Sec. 7.** This act shall apply to taxes levied in 1995  
23 for collection in 1996 and thereafter.

24        NEW SECTION.    **Sec. 8.** If any provision of this act or its  
25 application to any person or circumstance is held invalid, the  
26 remainder of the act or the application of the provision to other  
27 persons or circumstances is not affected.

28        NEW SECTION.    **Sec. 9.** This act is necessary for the immediate  
29 preservation of the public peace, health, or safety, or support of the  
30 state government and its existing public institutions, and shall take  
31 effect July 1, 1995.

Passed the Senate May 23, 1995.

Passed the House May 23, 1995.

Approved by the Governor June 14, 1995.

Filed in Office of Secretary of State June 14, 1995.