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HOUSE BILL 1019

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State of Washington

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By Representatives Campbell, Kirby, McCune, Clements, Wood, Hudgins, Simpson, Green, Morrell, Conway, P. Sullivan, Linville, B. Sullivan, McDonald, Lovick, Dunn, Chase and Ormsby

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1 AN ACT Relating to property tax exemptions for persons with  
2 disabilities related to the performance of military duties; amending  
3 RCW 84.36.379, 84.36.381, and 84.36.383; and creating a new section.

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

5 **Sec. 1.** RCW 84.36.379 and 2000 c 103 s 25 are each amended to read  
6 as follows:

7 The legislature finds that the property tax exemption authorized by  
8 Article VII, section 10 of the state Constitution should be made  
9 available on the basis of a retired person's ability to pay property  
10 taxes(~~(. The legislature further finds)~~) and that the best measure of  
11 a retired person's ability to pay taxes is that person's disposable  
12 income as defined in RCW 84.36.383. The legislature further finds that  
13 veterans with one hundred percent service-connected disabilities have  
14 given so much to our country that they deserve property tax relief.

15 **Sec. 2.** RCW 84.36.381 and 2004 c 270 s 1 are each amended to read  
16 as follows:

17 A person shall be exempt from any legal obligation to pay all or a

1 portion of the amount of excess and regular real property taxes due and  
2 payable in the year following the year in which a claim is filed, and  
3 thereafter, in accordance with the following:

4 (1) The property taxes must have been imposed upon a residence  
5 which was occupied by the person claiming the exemption as a principal  
6 place of residence as of the time of filing: PROVIDED, That any person  
7 who sells, transfers, or is displaced from his or her residence may  
8 transfer his or her exemption status to a replacement residence, but no  
9 claimant shall receive an exemption on more than one residence in any  
10 year: PROVIDED FURTHER, That confinement of the person to a hospital,  
11 nursing home, boarding home, or adult family home shall not disqualify  
12 the claim of exemption if:

13 (a) The residence is temporarily unoccupied;

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

16 (c) The residence is rented for the purpose of paying nursing home,  
17 hospital, boarding home, or adult family home costs;

18 (2) The person claiming the exemption must have owned, at the time  
19 of filing, in fee, as a life estate, or by contract purchase, the  
20 residence on which the property taxes have been imposed or if the  
21 person claiming the exemption lives in a cooperative housing  
22 association, corporation, or partnership, such person must own a share  
23 therein representing the unit or portion of the structure in which he  
24 or she resides. For purposes of this subsection, a residence owned by  
25 a marital community or owned by cotenants shall be deemed to be owned  
26 by each spouse or cotenant, and any lease for life shall be deemed a  
27 life estate;

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

36 (4) Except for veterans of the armed forces of the United States  
37 with one hundred percent service-connected disabilities, the amount  
38 that the person shall be exempt from an obligation to pay shall be

1 calculated on the basis of combined disposable income, as defined in  
2 RCW 84.36.383. If the person claiming the exemption was retired for  
3 two months or more of the assessment year, the combined disposable  
4 income of such person shall be calculated by multiplying the average  
5 monthly combined disposable income of such person during the months  
6 such person was retired by twelve. If the income of the person  
7 claiming exemption is reduced for two or more months of the assessment  
8 year by reason of the death of the person's spouse, or when other  
9 substantial changes occur in disposable income that are likely to  
10 continue for an indefinite period of time, the combined disposable  
11 income of such person shall be calculated by multiplying the average  
12 monthly combined disposable income of such person after such  
13 occurrences by twelve. If it is necessary to estimate income to comply  
14 with this subsection, the assessor may require confirming documentation  
15 of such income prior to May 31 of the year following application;

16 (5)(a) A person who otherwise qualifies under this section and has  
17 a combined disposable income of thirty-five thousand dollars or less or  
18 who is a veteran of the armed forces of the United States with a one  
19 hundred percent service-connected disability shall be exempt from all  
20 excess property taxes; and

21 (b)(i) A person who otherwise qualifies under this section and has  
22 a combined disposable income of thirty thousand dollars or less but  
23 greater than twenty-five thousand dollars shall be exempt from all  
24 regular property taxes on the greater of fifty thousand dollars or  
25 thirty-five percent of the valuation of his or her residence, but not  
26 to exceed seventy thousand dollars of the valuation of his or her  
27 residence; or

28 (ii) A person who otherwise qualifies under this section and has a  
29 combined disposable income of twenty-five thousand dollars or less or  
30 who is a veteran of the armed forces of the United States with a one  
31 hundred percent service-connected disability shall be exempt from all  
32 regular property taxes on the greater of sixty thousand dollars or  
33 sixty percent of the valuation of his or her residence;

34 (6) For a person who otherwise qualifies under this section and has  
35 a combined disposable income of thirty-five thousand dollars or less or  
36 who is a veteran of the armed forces of the United States with a one  
37 hundred percent service-connected disability, the valuation of the  
38 residence shall be the assessed value of the residence on the later of

1 January 1, 1995, or January 1st of the assessment year the person first  
2 qualifies under this section. If the person subsequently fails to  
3 qualify under this section only for one year because of high income,  
4 this same valuation shall be used upon requalification. If the person  
5 fails to qualify for more than one year in succession because of high  
6 income or fails to qualify for any other reason, the valuation upon  
7 requalification shall be the assessed value on January 1st of the  
8 assessment year in which the person requalifies. If the person  
9 transfers the exemption under this section to a different residence,  
10 the valuation of the different residence shall be the assessed value of  
11 the different residence on January 1st of the assessment year in which  
12 the person transfers the exemption.

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

16 This subsection does not apply to subsequent improvements to the  
17 property in the year in which the improvements are made. Subsequent  
18 improvements to the property shall be added to the value otherwise  
19 determined under this subsection at their true and fair value in the  
20 year in which they are made.

21 **Sec. 3.** RCW 84.36.383 and 2004 c 270 s 2 are each amended to read  
22 as follows:

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

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

1 (2) The term "real property" shall also include a mobile home which  
2 has substantially lost its identity as a mobile unit by virtue of its  
3 being fixed in location upon land owned or leased by the owner of the  
4 mobile home and placed on a foundation (posts or blocks) with fixed  
5 pipe, connections with sewer, water, or other utilities. A mobile home  
6 located on land leased by the owner of the mobile home is subject, for  
7 tax billing, payment, and collection purposes, only to the personal  
8 property provisions of chapter 84.56 RCW and RCW 84.60.040.

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

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

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

19 (b) The treatment or care of either person received in the home or  
20 in a nursing home, boarding home, or adult family home; and

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

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

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

32 (b) Amounts deducted for loss;

33 (c) Amounts deducted for depreciation;

34 (d) Pension and annuity receipts;

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

37 (f) Veterans benefits, other than attendant-care and medical-aid

1 payments and benefits for disabilities related to the performance of  
2 military duties;

- 3 (g) Federal social security act and railroad retirement benefits;
- 4 (h) Dividend receipts; and
- 5 (i) Interest received on state and municipal bonds.

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

8 (7) "Disability" has the same meaning as provided in 42 U.S.C. Sec.  
9 423(d)(1)(A) as amended prior to January 1, 2004, or such subsequent  
10 date as the director may provide by rule consistent with the purpose of  
11 this section.

12 NEW SECTION. **Sec. 4.** This act applies to taxes levied for  
13 collection in 2006 and thereafter.

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