
HOUSE BILL 1320

State of Washington

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By Representatives Wylie, Harris, Slatter, Tarleton, Stonier, Appleton, Dolan, Ryu, Stanford, Kilduff, and Pollet

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1 AN ACT Relating to property tax exemptions for service-connected
2 disabled veterans and senior citizens; amending RCW 84.36.381,
3 84.36.383, 84.36.385, and 84.38.020; reenacting and amending RCW
4 84.38.030; and creating new sections.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preference contained in section 2,
8 chapter . . ., Laws of 2019 (section 2 of this act). This performance
9 statement is only intended to be used for subsequent evaluation of
10 the tax preference. It is not intended to create a private right of
11 action by any party or be used to determine eligibility for
12 preferential tax treatment.

13 (2) The legislature categorizes this tax preference as one
14 intended to provide tax relief for certain businesses or individuals,
15 as indicated in RCW 82.32.808(2)(e).

16 (3) It is the legislature's specific public policy objective to
17 provide tax relief to senior citizens, disabled persons, and
18 veterans. The legislature recognizes that property taxes impose a
19 substantial financial burden on those with fixed incomes and that
20 property tax relief programs have considerable value in addressing
21 this burden. It is the legislature's intent to establish a mechanism

1 for adjusting income thresholds into the future. Income thresholds
2 were last adjusted in 2015.

3 **Sec. 2.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to read
4 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) 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, or adult family
17 home does not disqualify the claim of exemption if:

18 (a) The residence is temporarily unoccupied;

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

21 (c) The residence is rented for the purpose of paying nursing
22 home, hospital, assisted living facility, or adult family home costs;

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

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

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

1 (ii) A veteran of the armed forces of the United States entitled
2 to and receiving compensation from the United States department of
3 veterans affairs at a total disability rating for a service-connected
4 disability.

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

10 (4) The amount that the person is exempt from an obligation to
11 pay is calculated on the basis of combined disposable income, as
12 defined in RCW 84.36.383. If the person claiming the exemption was
13 retired for two months or more of the assessment year, the combined
14 disposable income of such person must be calculated by multiplying
15 the average monthly combined disposable income of such person during
16 the months such person was retired by twelve. If the income of the
17 person claiming exemption is reduced for two or more months of the
18 assessment year by reason of the death of the person's spouse or the
19 person's domestic partner, or when other substantial changes occur in
20 disposable income that are likely to continue for an indefinite
21 period of time, the combined disposable income of such person must be
22 calculated by multiplying the average monthly combined disposable
23 income of such person after such occurrences by twelve. If it is
24 necessary to estimate income to comply with this subsection, the
25 assessor may require confirming documentation of such income prior to
26 May 31 of the year following application;

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

36 (b) (i) A person who otherwise qualifies under this section and
37 has a combined disposable income (~~(of thirty-five thousand dollars or~~
38 ~~less but greater than thirty thousand dollars)) equal to or less than
39 income threshold 2 but greater than income threshold 1 is exempt from
40 all regular property taxes on the greater of fifty thousand dollars~~

1 or thirty-five percent of the valuation of his or her residence, but
2 not to exceed seventy thousand dollars of the valuation of his or her
3 residence; or

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

9 (6) (a) For a person who otherwise qualifies under this section
10 and has a combined disposable income (~~(of forty thousand dollars or~~
11 ~~less)~~) equal to or less than income threshold 2 but greater than
12 income threshold 1, the valuation of the residence is the assessed
13 value of the residence on the later of January 1, 1995, or January
14 1st of the assessment year the person first qualifies under this
15 section. If the person subsequently fails to qualify under this
16 section only for one year because of high income, this same valuation
17 must be used upon requalification. If the person fails to qualify for
18 more than one year in succession because of high income or fails to
19 qualify for any other reason, the valuation upon requalification is
20 the assessed value on January 1st of the assessment year in which the
21 person requalifies. If the person transfers the exemption under this
22 section to a different residence, the valuation of the different
23 residence is the assessed value of the different residence on January
24 1st of the assessment year in which the person transfers the
25 exemption.

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

29 (c) This subsection does not apply to subsequent improvements to
30 the property in the year in which the improvements are made.
31 Subsequent improvements to the property must be added to the value
32 otherwise determined under this subsection at their true and fair
33 value in the year in which they are made.

34 **Sec. 3.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
35 read as follows:

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

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

16 (2) The term "real property" also includes a mobile home which
17 has substantially lost its identity as a mobile unit by virtue of its
18 being fixed in location upon land owned or leased by the owner of the
19 mobile home and placed on a foundation (posts or blocks) with fixed
20 pipe, connections with sewer, water, or other utilities. A mobile
21 home located on land leased by the owner of the mobile home is
22 subject, for tax billing, payment, and collection purposes, only to
23 the personal property provisions of chapter 84.56 RCW and RCW
24 84.60.040.

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

26 (4) "Combined disposable income" means the disposable income of
27 the person claiming the exemption, plus the disposable income of his
28 or her spouse or domestic partner, and the disposable income of each
29 cotenant occupying the residence for the assessment year, less
30 amounts paid by the person claiming the exemption or his or her
31 spouse or domestic partner during the assessment year for:

32 (a) Drugs supplied by prescription of a medical practitioner
33 authorized by the laws of this state or another jurisdiction to issue
34 prescriptions;

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

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

1 (5) "Disposable income" means adjusted gross income as defined in
2 the federal internal revenue code, as amended prior to January 1,
3 1989, or such subsequent date as the director may provide by rule
4 consistent with the purpose of this section, plus all of the
5 following items to the extent they are not included in or have been
6 deducted from adjusted gross income:

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

10 (b) Amounts deducted for loss;

11 (c) Amounts deducted for depreciation;

12 (d) Pension and annuity receipts;

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

15 (f) Veterans benefits, other than:

16 (i) Attendant-care payments;

17 (ii) Medical-aid payments;

18 (iii) Disability compensation, as defined in Title 38, part 3,
19 section 3.4 of the code of federal regulations, as of January 1,
20 2008; and

21 (iv) Dependency and indemnity compensation, as defined in Title
22 38, part 3, section 3.5 of the code of federal regulations, as of
23 January 1, 2008;

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

25 (h) Dividend receipts; and

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

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

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

34 (8) "Income threshold 1" means:

35 (a) For taxes levied for collection in calendar years prior to
36 2022, a combined disposable income equal to thirty thousand dollars;
37 and

38 (b) For taxes levied for collection in calendar year 2022 and
39 thereafter, a combined disposable income equal to the greater of
40 "income threshold 1" for the previous year or forty-five percent of

1 the county median household income, adjusted every five years
2 beginning January 1, 2021, as provided in RCW 84.36.385(7).

3 (9) "Income threshold 2" means:

4 (a) For taxes levied for collection in calendar years prior to
5 2022, a combined disposable income equal to thirty-five thousand
6 dollars; and

7 (b) For taxes levied for collection in calendar year 2022 and
8 thereafter, a combined disposable income equal to the greater of
9 "income threshold 2" for the previous year or fifty-five percent of
10 the county median household income, adjusted every five years
11 beginning January 1, 2021, as provided in RCW 84.36.385(7).

12 (10) "Income threshold 3" means:

13 (a) For taxes levied for collection in calendar years prior to
14 2021, a combined disposable income equal to forty thousand dollars;
15 and

16 (b) For taxes levied for collection in calendar year 2022 and
17 thereafter, a combined disposable income equal to the greater of
18 "income threshold 3" for the previous year or sixty-five percent of
19 the county median household income, adjusted every five years
20 beginning January 1, 2021, as provided in RCW 84.36.385(7).

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

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

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

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

38 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
39 thereafter((7)) must file with the county assessor a renewal

1 application not later than December 31st of the year the assessor
2 notifies such person of the requirement to file the renewal
3 application. Renewal applications must be on forms prescribed and
4 furnished by the department of revenue.

5 (4) At least once every six years, the county assessor must
6 notify those persons receiving an exemption from taxes under RCW
7 84.36.381 of the requirement to file a renewal application. The
8 county assessor may also require a renewal application following an
9 amendment of the income requirements set forth in RCW 84.36.381.

10 (5) If the assessor finds that the applicant does not meet the
11 qualifications as set forth in RCW 84.36.381, as now or hereafter
12 amended, the claim or exemption must be denied but such denial is
13 subject to appeal under the provisions of RCW 84.48.010 and in
14 accordance with the provisions of RCW 84.40.038. If the applicant had
15 received exemption in prior years based on erroneous information, the
16 taxes must be collected subject to penalties as provided in RCW
17 84.40.130 for a period of not to exceed five years.

18 (6) The department and each local assessor is hereby directed to
19 publicize the qualifications and manner of making claims under RCW
20 84.36.381 through 84.36.389, through communications media, including
21 such paid advertisements or notices as it deems appropriate. Notice
22 of the qualifications, method of making applications, the penalties
23 for not reporting a change in status, and availability of further
24 information must be included on or with property tax statements and
25 revaluation notices for all residential property including mobile
26 homes, except rental properties.

27 (7) Beginning January 1, 2021, and every fifth year thereafter,
28 the department must publish updated income thresholds. The adjusted
29 thresholds must be rounded to the nearest one dollar. If the income
30 threshold adjustment is negative, the income threshold for the prior
31 year continues to apply. The department must adjust income thresholds
32 for each county to reflect the most recent year available of
33 estimated county median household income, including preliminary
34 estimates or projections, as published by the office of financial
35 management. For the purposes of this subsection, "county median
36 household income" has the same meaning as in RCW 84.36.383.

37 **Sec. 5.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to read
38 as follows:

1 (~~Unless a different meaning is plainly required by the context,~~
2 ~~the following words and phrases as hereinafter used in this chapter~~
3 ~~shall have the following meanings:~~) The definitions in this section
4 apply throughout this chapter unless the context clearly requires
5 otherwise.

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

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

13 (2) (~~"Department" means the state department of revenue.~~
14 ~~(3)~~) "Equity value" means the amount by which the fair market
15 value of a residence as determined from the records of the county
16 assessor exceeds the total amount of any liens or other obligations
17 against the property.

18 (3) "Income threshold" means:

19 (a) For taxes levied for collection in calendar years prior to
20 2022, a combined disposable income equal to forty-five thousand
21 dollars; and

22 (b) For taxes levied for collection in calendar year 2022 or
23 thereafter, a combined disposable income equal to the greater of the
24 "income threshold" for the previous year, or seventy-five percent of
25 the county median household income, adjusted every five years
26 beginning January 1, 2021, as provided in RCW 84.36.385(7).

27 (4) "Local government" means any city, town, county, water-sewer
28 district, public utility district, port district, irrigation
29 district, flood control district, or any other municipal corporation,
30 quasi-municipal corporation, or other political subdivision
31 authorized to levy special assessments.

32 (5) "Real property taxes" means ad valorem property taxes levied
33 on a residence in this state in the preceding calendar year.

34 (6) "Residence" has the meaning given in RCW 84.36.383.

35 (7) "Special assessment" means the charge or obligation imposed
36 by a local government upon property specially benefited.

37 **Sec. 6.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
38 s 313 are each reenacted and amended to read as follows:

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

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

8 (2) The claimant must be sixty years of age or older on December
9 31st of the year in which the deferral claim is filed, or must have
10 been, at the time of filing, retired from regular gainful employment
11 by reason of disability as defined in RCW 84.36.383. However, any
12 surviving spouse or surviving domestic partner of a person who was
13 receiving a deferral at the time of the person's death qualifies if
14 the surviving spouse or surviving domestic partner is fifty-seven
15 years of age or older and otherwise meets the requirements of this
16 section.

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

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

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

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

38 NEW SECTION. **Sec. 7.** This act applies to taxes levied for
39 collection in 2022 and thereafter.

1 NEW SECTION. **Sec. 8.** The legislature intends for the tax
2 preference in this act to be permanent; therefore, this act is not
3 subject to the provisions of RCW 82.32.805 and 82.32.808.

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