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**SENATE BILL 5802**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Senators Fortunato, Holy, and Stanford

AN ACT Relating to providing additional financial relief for property owners using the senior citizen and disabled persons property tax exemption and deferral programs by increasing the income thresholds and lowering the interest rate for deferred property taxes; amending RCW 84.36.383, 84.36.385, 84.38.020, and 84.38.100; and creating a new section.

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

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

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

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

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

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

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

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

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

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

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

(h) Nebulizers as defined in RCW 82.08.803;

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

(j) Ostomic items as defined in RCW 82.08.804;

(k) Insulin for human use;

(l) Kidney dialysis devices; and

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

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

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

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

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

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

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

(b) Amounts deducted for loss;

(c) Amounts deducted for depreciation;

(d) Pension and annuity receipts;

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

(f) Veterans benefits, other than:

(i) Attendant-care payments;

(ii) Medical-aid payments;

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

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

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

(h) Dividend receipts; and

(i) Interest received on state and municipal bonds.

(7) "Income threshold 1" means:

(a) For taxes levied for collection in calendar ((~~years prior to 2020~~)) year 2023, a combined disposable income equal to ((~~thirty thousand dollars~~)) $60,000; and

(b) For taxes levied for collection in calendar year ((~~2020~~)) 2024 and thereafter, a combined disposable income equal to the greater of "income threshold 1" for the previous year or ((~~forty-five~~)) 45 percent of the county median household income, adjusted every five years beginning August 1, ((~~2019~~)) 2026, as provided in RCW 84.36.385(8).

(8) "Income threshold 2" means:

(a) For taxes levied for collection in calendar ((~~years prior to 2020~~)) year 2023, a combined disposable income equal to ((~~thirty-five thousand dollars~~)) $65,000; and

(b) For taxes levied for collection in calendar year ((~~2020~~)) 2024 and thereafter, a combined disposable income equal to the greater of "income threshold 2" for the previous year or ((~~fifty-five~~)) 55 percent of the county median household income, adjusted every five years beginning August 1, ((~~2019~~)) 2026, as provided in RCW 84.36.385(8).

(9) "Income threshold 3" means:

(a) For taxes levied for collection in calendar ((~~years prior to 2020~~)) year 2023, a combined disposable income equal to ((~~forty thousand dollars~~)) $70,000; and

(b) For taxes levied for collection in calendar year ((~~2020~~)) 2024 and thereafter, a combined disposable income equal to the greater of "income threshold 3" for the previous year or ((~~sixty-five~~)) 65 percent of the county median household income, adjusted every five years beginning August 1, ((~~2019~~)) 2026, as provided in RCW 84.36.385(8).

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

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

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

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

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

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

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

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

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

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

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

(8) Beginning August 1, ((~~2019~~)) 2022, and by March 1st every fifth year thereafter, the department must publish updated income thresholds. The adjusted thresholds must be rounded up to the nearest ((~~one thousand dollars~~)) $1,000. If the income threshold adjustment is negative, the income threshold for the prior year continues to apply. The department must adjust income thresholds for each county to reflect the most recent year available of estimated county median household incomes, including preliminary estimates or projections, as published by the office of financial management. For the purposes of this subsection, "county median household income" has the same meaning as provided in RCW 84.36.383.

(9) Beginning with the adjustment made by March 1, ((~~2024~~)) 2027, as provided in subsection (8) of this section, and every second adjustment thereafter, if an income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must be adjusted based on the growth of the seasonally adjusted consumer price index for all urban consumers (CPI-U) for the prior ((~~twelve~~)) 12-month period as published by the United States bureau of labor statistics. In no case may the adjustment be greater than one percent. The adjusted thresholds must be rounded to the nearest one dollar. If the income threshold adjustment is negative, the income threshold for the prior year continues to apply.

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

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

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

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

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

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

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

(5) "Income threshold" means: (a) For taxes levied for collection in calendar ((~~years prior to 2020~~)) year 2023, a combined disposable income equal to ((~~forty-five thousand dollars~~)) $75,000; and (b) for taxes levied for collection in calendar year ((~~2020~~)) 2024 and thereafter, a combined disposable income equal to the greater of the income threshold for the previous year, or ((~~seventy-five~~)) 75 percent of the county median household income, adjusted every five years beginning August 1, ((~~2019~~)) 2022, as provided in RCW 84.36.385(8). Beginning with the adjustment made by March 1, ((~~2024~~)) 2027, as provided in RCW 84.36.385(8), and every second adjustment thereafter, if the income threshold in a county is not adjusted based on percentage of county median income as provided in this subsection, then the income threshold must be adjusted based on the growth of the consumer price index for all urban consumers (CPI-U) for the prior ((~~twelve~~)) 12-month period as published by the United States bureau of labor statistics. In no case may the adjustment be greater than one percent. The adjusted threshold must be rounded to the nearest one dollar. If the income threshold adjustment is negative, the income threshold for the prior year continues to apply.

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

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

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

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

**Sec.**  RCW 84.38.100 and 2013 c 221 s 8 are each amended to read as follows:

Whenever a person's special assessment and/or real property tax obligation is deferred under the provisions of this chapter, the amount deferred and required to be paid pursuant to RCW 84.38.120 becomes a lien in favor of the state upon his or her property and has priority as provided in chapters 35.49, 35.50, 36.35, and 84.60 RCW. However, the interest of a mortgage or purchase contract holder who is required to cosign a declaration of deferral under RCW 84.38.090, has priority to such deferred lien. This lien may accumulate up to eighty percent of the amount of the claimant's equity value in the property and must bear interest at the rate of ((~~five~~)) two percent per year from the time it could have been paid before delinquency until said obligation is paid. However, when taxes are deferred as provided in RCW 84.64.050, the amount must bear interest at the rate of ((~~five~~)) two percent per year from the date the declaration is filed until the obligation is paid or the date that the obligation is charged off as finally uncollectible. In the case of a mobile home, the department of licensing must show the state's lien on the certificate of title for the mobile home. In the case of all other property, the department of revenue must file a notice of the deferral with the county recorder or auditor.

NEW SECTION. **Sec.**  This act applies to taxes levied for collection in 2023 and thereafter.

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