

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1355**

Chapter 147, Laws of 2023

68th Legislature  
2023 Regular Session

PROPERTY TAX EXEMPTION—DISABLED VETERANS AND SENIOR CITIZENS—INCOME  
THRESHOLD

EFFECTIVE DATE: July 23, 2023

Passed by the House March 2, 2023  
Yeas 96 Nays 0

LAURIE JINKINS

**Speaker of the House of  
Representatives**

Passed by the Senate April 7, 2023  
Yeas 47 Nays 0

DENNY HECK

**President of the Senate**

Approved April 20, 2023 2:44 PM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1355** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

April 21, 2023

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1355**

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Passed Legislature - 2023 Regular Session

**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** House Finance (originally sponsored 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 02/23/23.

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

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

6           **Sec. 1.** RCW 84.36.381 and 2019 c 453 s 1 are each amended to  
7 read as follows:

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

12           (1)(a) The property taxes must have been imposed upon a residence  
13 which was occupied by the person claiming the exemption as a  
14 principal place of residence as of the time of filing. However, any  
15 person who sells, transfers, or is displaced from his or her  
16 residence may transfer his or her exemption status to a replacement  
17 residence, but no claimant may receive an exemption on more than one  
18 residence in any year. Moreover, confinement of the person to a  
19 hospital, nursing home, assisted living facility, adult family home,  
20 or home of a relative for the purpose of long-term care does not  
21 disqualify the claim of exemption if:

1 (i) The residence is temporarily unoccupied;

2 (ii) The residence is occupied by a spouse or a domestic partner  
3 and/or a person financially dependent on the claimant for support; or

4 (iii) The residence is rented for the purpose of paying nursing  
5 home, hospital, assisted living facility, or adult family home costs.

6 (b) For the purpose of this subsection (1), "relative" means any  
7 individual related to the claimant by blood, marriage, or adoption;

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

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

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

24 (ii) A veteran of the armed forces of the United States entitled  
25 to and receiving compensation from the United States department of  
26 veterans affairs at:

27 (A) A combined service-connected evaluation rating of (~~eighty~~)  
28 80 percent or higher; or

29 (B) A total disability rating for a service-connected disability  
30 without regard to evaluation percent.

31 (b) However, any surviving spouse or surviving domestic partner  
32 of a person who was receiving an exemption at the time of the  
33 person's death will qualify if the surviving spouse or surviving  
34 domestic partner is (~~fifty-seven~~) 57 years of age or older and  
35 otherwise meets the requirements of this section;

36 (4) (a) The amount that the person is exempt from an obligation to  
37 pay is calculated on the basis of combined disposable income, as  
38 defined in RCW 84.36.383.

39 (b) If the person claiming the exemption was retired for two  
40 months or more of the assessment year, the combined disposable income

1 of such person must be calculated by multiplying the average monthly  
2 combined disposable income of such person during the months such  
3 person was retired by (~~twelve~~) 12.

4 (c) If the income of the person claiming exemption is reduced for  
5 two or more months of the assessment year by reason of the death of  
6 the person's spouse or the person's domestic partner, or when other  
7 substantial changes occur in disposable income that are likely to  
8 continue for an indefinite period of time, the combined disposable  
9 income of such person must be calculated by multiplying the average  
10 monthly combined disposable income of such person after such  
11 occurrences by (~~twelve~~) 12.

12 (d)(i) If the income of the person claiming the exemption  
13 increases as a result of a cost-of-living adjustment to social  
14 security benefits or supplemental security income in an amount that  
15 would disqualify the applicant from eligibility, the applicant is not  
16 disqualified but instead maintains eligibility.

17 (ii) The continued eligibility under this subsection applies to  
18 applications for property taxes levied for collection in calendar  
19 year 2024.

20 (e) If it is necessary to estimate income to comply with this  
21 subsection (4), the assessor may require confirming documentation of  
22 such income prior to May 31<sup>st</sup> of the year following application;

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

32 (b)(i) A person who otherwise qualifies under this section and  
33 has a combined disposable income equal to or less than income  
34 threshold 2 but greater than income threshold 1 is exempt from all  
35 regular property taxes on the greater of (~~fifty thousand dollars~~)  
36 \$50,000 or (~~thirty-five~~) 35 percent of the valuation of his or her  
37 residence, but not to exceed (~~seventy thousand dollars~~) \$70,000 of  
38 the valuation of his or her residence; or

39 (ii) A person who otherwise qualifies under this section and has  
40 a combined disposable income equal to or less than income threshold 1

1 is exempt from all regular property taxes on the greater of (~~sixty~~  
2 ~~thousand dollars~~) \$60,000 or (~~sixty~~) 60 percent of the valuation  
3 of his or her residence;

4 (6) (a) For a person who otherwise qualifies under this section  
5 and has a combined disposable income equal (~~to~~) to or less than  
6 income threshold 3, the valuation of the residence is the assessed  
7 value of the residence on the later of January 1, 1995, or January  
8 1st of the assessment year the person first qualifies under this  
9 section. If the person subsequently fails to qualify under this  
10 section only for one year because of high income, this same valuation  
11 must be used upon requalification. If the person fails to qualify for  
12 more than one year in succession because of high income or fails to  
13 qualify for any other reason, the valuation upon requalification is  
14 the assessed value on January 1st of the assessment year in which the  
15 person requalifies. If the person transfers the exemption under this  
16 section to a different residence, the valuation of the different  
17 residence is the assessed value of the different residence on January  
18 1st of the assessment year in which the person transfers the  
19 exemption.

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

23 (c) This subsection does not apply to subsequent improvements to  
24 the property in the year in which the improvements are made.  
25 Subsequent improvements to the property must be added to the value  
26 otherwise determined under this subsection at their true and fair  
27 value in the year in which they are made.

28 **Sec. 2.** RCW 84.36.383 and 2021 c 220 s 1 are each amended to  
29 read as follows:

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

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

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

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

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

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

10 (e) Durable medical equipment, mobility enhancing equipment,  
11 medically prescribed oxygen, and prosthetic devices as defined in RCW  
12 82.08.0283;

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

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

15 (h) Nebulizers as defined in RCW 82.08.803;

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

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

20 (k) Insulin for human use;

21 (l) Kidney dialysis devices; and

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

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

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

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

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

36 (6) "Disposable income" means adjusted gross income as defined in  
37 the federal internal revenue code, as amended prior to January 1,  
38 1989, or such subsequent date as the director may provide by rule  
39 consistent with the purpose of this section, plus all of the

1 following items to the extent they are not included in or have been  
2 deducted from adjusted gross income:

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

6 (b) Amounts deducted for loss;

7 (c) Amounts deducted for depreciation;

8 (d) Pension and annuity receipts;

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

11 (f) Veterans benefits, other than:

12 (i) Attendant-care payments;

13 (ii) Medical-aid payments;

14 (iii) Disability compensation, as defined in Title 38, part 3,  
15 section 3.4 of the Code of Federal Regulations, as of January 1,  
16 2008; and

17 (iv) Dependency and indemnity compensation, as defined in Title  
18 38, part 3, section 3.5 of the Code of Federal Regulations, as of  
19 January 1, 2008;

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

21 (h) Dividend receipts; and

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

23 (7) "Income threshold 1" means:

24 (a) For taxes levied for collection in calendar years prior to  
25 2020, a combined disposable income equal to (~~thirty thousand~~  
26 ~~dollars~~) \$30,000; (~~and~~)

27 (b) For taxes levied for collection in calendar years 2020 (~~and~~  
28 ~~thereafter~~) through 2023, a combined disposable income equal to the  
29 greater of "income threshold 1" for the previous year or (~~forty-~~  
30 ~~five~~) 45 percent of the county median household income (~~(, adjusted~~  
31 ~~every five years beginning August 1, 2019, as provided in RCW~~  
32 ~~84.36.385(8))~~); and

33 (c) For taxes levied for collection in calendar year 2024 and  
34 thereafter, a combined disposable income equal to the greater of  
35 "income threshold 1" for the previous year or 50 percent of the  
36 county median household income, adjusted every three years beginning  
37 August 1, 2023, as provided in RCW 84.36.385(8).

38 (8) "Income threshold 2" means:

1 (a) For taxes levied for collection in calendar years prior to  
2 2020, a combined disposable income equal to (~~thirty-five thousand~~  
3 ~~dollars~~) \$35,000; (~~and~~)

4 (b) For taxes levied for collection in calendar years 2020 (~~and~~  
5 ~~thereafter~~) through 2023, a combined disposable income equal to the  
6 greater of "income threshold 2" for the previous year or (~~fifty-~~  
7 ~~five~~) 55 percent of the county median household income(~~(, adjusted~~  
8 ~~every five years beginning August 1, 2019, as provided in RCW~~  
9 ~~84.36.385(8))~~); and

10 (c) For taxes levied for collection in calendar year 2024 and  
11 thereafter, a combined disposable income equal to the greater of  
12 "income threshold 2" for the previous year or 60 percent of the  
13 county median household income, adjusted every three years beginning  
14 August 1, 2023, as provided in RCW 84.36.385(8).

15 (9) "Income threshold 3" means:

16 (a) For taxes levied for collection in calendar years prior to  
17 2020, a combined disposable income equal to (~~forty thousand~~  
18 ~~dollars~~) \$40,000; (~~and~~)

19 (b) For taxes levied for collection in calendar years 2020 (~~and~~  
20 ~~thereafter~~) through 2023, a combined disposable income equal to the  
21 greater of "income threshold 3" for the previous year or (~~sixty-~~  
22 ~~five~~) 65 percent of the county median household income(~~(, adjusted~~  
23 ~~every five years beginning August 1, 2019, as provided in RCW~~  
24 ~~84.36.385(8))~~); and

25 (c) For taxes levied for collection in calendar year 2024 and  
26 thereafter, a combined disposable income equal to the greater of  
27 "income threshold 3" for the previous year or 70 percent of the  
28 county median household income, adjusted every three years beginning  
29 August 1, 2023, as provided in RCW 84.36.385(8).

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

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



1 the personal property provisions of chapter 84.56 RCW and RCW  
2 84.60.040.

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

18 **Sec. 3.** RCW 84.36.385 and 2021 c 145 s 24 are each amended to  
19 read as follows:

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

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

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

37 (4) At least once every six years, the county assessor must  
38 notify those persons receiving an exemption from taxes under RCW  
39 84.36.381 of the requirement to file a renewal application. The

1 county assessor may also require a renewal application following an  
2 amendment of the income requirements set forth in RCW 84.36.381.

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

11 (6) The department and each local assessor is hereby directed to  
12 publicize the qualifications and manner of making claims under RCW  
13 84.36.381 through 84.36.389, through communications media, including  
14 such paid advertisements or notices as it deems appropriate. Notice  
15 of the qualifications, method of making applications, the penalties  
16 for not reporting a change in status, and availability of further  
17 information must be included on or with property tax statements and  
18 revaluation notices for all residential property including mobile  
19 homes, except rental properties.

20 (7) The department must authorize an option for electronic filing  
21 of applications and renewal applications for the exemption under RCW  
22 84.36.381.

23 (8) Beginning August 1, (~~(2019)~~) 2023, and by March 1st every  
24 (~~(fifth)~~) third year thereafter, the department must publish updated  
25 income thresholds. The adjusted thresholds must be rounded up to the  
26 nearest one thousand dollars. If the income threshold adjustment is  
27 negative, the income threshold for the prior year continues to apply.  
28 The department must adjust income thresholds for each county to  
29 reflect the most recent year available of estimated county median  
30 household incomes, including preliminary estimates or projections, as  
31 published by the office of financial management. For the purposes of  
32 this subsection, "county median household income" has the same  
33 meaning as provided in RCW 84.36.383.

34 (9) Beginning with the adjustment made by (~~(March 1, 2024)~~)  
35 August 1, 2023, as provided in subsection (8) of this section, and  
36 every (~~(second)~~) adjustment thereafter, if an income threshold in a  
37 county is not adjusted based on percentage of county median income,  
38 then the income threshold must be adjusted based on the growth of the  
39 seasonally adjusted consumer price index for all urban consumers  
40 (CPI-U) for the prior twelve month period as published by the United

1 States bureau of labor statistics. In no case may the adjustment be  
2 greater than one percent. The adjusted thresholds must be rounded to  
3 the nearest one dollar. If the income threshold adjustment is  
4 negative, the income threshold for the prior year continues to apply.

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

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

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

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

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

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

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

22 (5) "Income threshold" means: (a) For taxes levied for collection  
23 in calendar years prior to 2020, a combined disposable income equal  
24 to (~~(forty-five thousand dollars)~~) \$45,000; and (b) for taxes levied  
25 for collection in calendar year 2020 and thereafter, a combined  
26 disposable income equal to the greater of the income threshold for  
27 the previous year, or (~~(seventy-five)~~) 75 percent of the county  
28 median household income, adjusted every (~~(five)~~) three years  
29 beginning August 1, (~~(2019)~~) 2023, as provided in RCW 84.36.385(8).  
30 Beginning with the adjustment made by (~~(March 1, 2024)~~) August 1,  
31 2023, as provided in RCW 84.36.385(8), (~~(and every second adjustment~~  
32 ~~thereafter,)~~) if the income threshold in a county is not adjusted  
33 based on percentage of county median income as provided in this  
34 subsection, then the income threshold must be adjusted based on the  
35 growth of the consumer price index for all urban consumers (CPI-U)  
36 for the prior twelve-month period as published by the United States  
37 bureau of labor statistics. In no case may the adjustment be greater  
38 than one percent. The adjusted threshold must be rounded to the

1 nearest one dollar. If the income threshold adjustment is negative,  
2 the income threshold for the prior year continues to apply.

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

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

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

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

13 NEW SECTION. **Sec. 5.** (1) Subject to the availability of funds  
14 appropriated for this specific purpose, the department of revenue  
15 must engage in statewide outreach to provide public notification of  
16 the changes in income thresholds as the result of this act, as well  
17 as information on the application process for the exemption under RCW  
18 84.36.381.

19 (2) This section expires June 30, 2024.

20 NEW SECTION. **Sec. 6.** RCW 82.32.805 and 82.32.808 do not apply  
21 to this act.

Passed by the House March 2, 2023.

Passed by the Senate April 7, 2023.

Approved by the Governor April 20, 2023.

Filed in Office of Secretary of State April 21, 2023.

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