
ENGROSSED SUBSTITUTE SENATE BILL 5160

State of Washington

66th Legislature

2019 Regular Session

By Senate Ways & Means (originally sponsored by Senators Dhingra, Wellman, Palumbo, Keiser, Rolfes, Das, Randall, Wilson, C., Fortunato, Hasegawa, King, and Kuderer)

READ FIRST TIME 03/01/19.

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, 84.38.020, 84.38.070, 84.38.130, and 84.38.150;
4 reenacting and amending RCW 84.38.030; creating new sections; and
5 providing an effective date.

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

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

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

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

1 this burden. It is the legislature's intent to establish a mechanism
2 for adjusting income thresholds into the future. Income thresholds
3 were last adjusted in 2015.

4 **Sec. 2.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to read
5 as follows:

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

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

20 ~~((a))~~ (i) The residence is temporarily unoccupied;

21 ~~((b))~~ (ii) The residence is occupied by a spouse or a domestic
22 partner and/or a person financially dependent on the claimant for
23 support; or

24 ~~((c))~~ (iii) The residence is rented for the purpose of paying
25 nursing home, hospital, assisted living facility, or adult family
26 home costs;

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

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

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

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

6 (ii) A veteran of the armed forces of the United States entitled
7 to and receiving compensation from the United States department of
8 veterans affairs at a total disability rating for a service-connected
9 disability.

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

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

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

1 (b)(i) A person who otherwise qualifies under this section and
2 has a combined disposable income (~~((of thirty-five thousand dollars or~~
3 ~~less but greater than thirty thousand dollars))~~ equal to or less than
4 income threshold 2 but greater than income threshold 1 is exempt from
5 all regular property taxes on the greater of fifty thousand dollars
6 or thirty-five percent of the valuation of his or her residence, but
7 not to exceed seventy thousand dollars of the valuation of his or her
8 residence; or

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

14 (6)(a) For a person who otherwise qualifies under this section
15 and has a combined disposable income (~~((of forty thousand dollars or~~
16 ~~less))~~ equal to or less than income threshold 3, the valuation of the
17 residence is the assessed value of the residence on the later of
18 January 1, 1995, or January 1st of the assessment year the person
19 first qualifies under this section. If the person subsequently fails
20 to qualify under this section only for one year because of high
21 income, this same valuation must be used upon requalification. If the
22 person fails to qualify for more than one year in succession because
23 of high income or fails to qualify for any other reason, the
24 valuation upon requalification is the assessed value on January 1st
25 of the assessment year in which the person requalifies. If the person
26 transfers the exemption under this section to a different residence,
27 the valuation of the different residence is the assessed value of the
28 different residence on January 1st of the assessment year in which
29 the person transfers the exemption.

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

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

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

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

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

19 (2) The term "real property" also includes a mobile home which
20 has substantially lost its identity as a mobile unit by virtue of its
21 being fixed in location upon land owned or leased by the owner of the
22 mobile home and placed on a foundation (posts or blocks) with fixed
23 pipe, connections with sewer, water, or other utilities. A mobile
24 home located on land leased by the owner of the mobile home is
25 subject, for tax billing, payment, and collection purposes, only to
26 the personal property provisions of chapter 84.56 RCW and RCW
27 84.60.040.

28 (3) (~~("Department" means the state department of revenue.)~~)
29 "Principal place of residence" means a residence occupied for more
30 than nine months each calendar year by a person claiming an exemption
31 under RCW 84.36.381.

32 (4) "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:

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

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

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

6 (5) "Disposable income" means adjusted gross income as defined in
7 the federal internal revenue code, as amended prior to January 1,
8 1989, or such subsequent date as the director may provide by rule
9 consistent with the purpose of this section, plus all of the
10 following items to the extent they are not included in or have been
11 deducted from adjusted gross income:

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

15 (b) Amounts deducted for loss;

16 (c) Amounts deducted for depreciation;

17 (d) Pension and annuity receipts;

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

20 (f) Veterans benefits, other than:

21 (i) Attendant-care payments;

22 (ii) Medical-aid payments;

23 (iii) Disability compensation, as defined in Title 38, part 3,
24 section 3.4 of the code of federal regulations, as of January 1,
25 2008; and

26 (iv) Dependency and indemnity compensation, as defined in Title
27 38, part 3, section 3.5 of the code of federal regulations, as of
28 January 1, 2008;

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

30 (h) Dividend receipts; and

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

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

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

39 (8) "Income threshold 1" means:

1 (a) For taxes levied for collection in calendar years prior to
2 2022, a combined disposable income equal to thirty thousand dollars;
3 and

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

9 (9) "Income threshold 2" means:

10 (a) For taxes levied for collection in calendar years prior to
11 2022, a combined disposable income equal to thirty-five thousand
12 dollars; and

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

18 (10) "Income threshold 3" means:

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

22 (b) For taxes levied for collection in calendar year 2022 and
23 thereafter, a combined disposable income equal to the greater of
24 "income threshold 3" for the previous year or sixty-five percent of
25 the county median household income, adjusted every five years
26 beginning March 1, 2021, as provided in RCW 84.36.385(8).

27 (11) "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 **Sec. 4.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
32 read as follows:

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

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

5 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
6 thereafter((7)) must file with the county assessor a renewal
7 application not later than December 31st of the year the assessor
8 notifies such person of the requirement to file the renewal
9 application. Renewal applications must be on forms prescribed and
10 furnished by the department of revenue.

11 (4) At least once every six years, the county assessor must
12 notify those persons receiving an exemption from taxes under RCW
13 84.36.381 of the requirement to file a renewal application. The
14 county assessor may also require a renewal application following an
15 amendment of the income requirements set forth in RCW 84.36.381.

16 (5) If the assessor finds that the applicant does not meet the
17 qualifications as set forth in RCW 84.36.381, as now or hereafter
18 amended, the claim or exemption must be denied but such denial is
19 subject to appeal under the provisions of RCW 84.48.010 and in
20 accordance with the provisions of RCW 84.40.038. If the applicant had
21 received exemption in prior years based on erroneous information, the
22 taxes must be collected subject to penalties as provided in RCW
23 84.40.130 for a period of not to exceed five years.

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

33 (7) The department must authorize an option for electronic filing
34 of applications and renewal applications for the exemption under RCW
35 84.36.381.

36 (8) Beginning March 1, 2021, and by March 1st every fifth year
37 thereafter, the department must publish updated income thresholds.
38 The adjusted thresholds must be rounded to the nearest one dollar. If
39 the income threshold adjustment is negative, the income threshold for
40 the prior year continues to apply. The department must adjust income

1 thresholds for each county to reflect the most recent year available
2 of estimated county median household income, including preliminary
3 estimates or projections, as published by the office of financial
4 management. For the purposes of this subsection, "county median
5 household income" has the same meaning as in RCW 84.36.383.

6 (9) Beginning December 1, 2021, and every fifth year thereafter,
7 to assist the legislature in evaluating the extent to which the
8 changes under this act are uniformly and equitably benefiting
9 residential property owners across the state, the department, using
10 data provided by county assessors, must submit a report to the
11 legislature that includes the most recently available income
12 thresholds for each county under RCW 84.36.381, the number of
13 additional properties exempted under RCW 84.36.381 resulting from the
14 changes under this act, and any other information the department
15 deems relevant to the legislature's evaluation of the efficacy of
16 this act in providing additional, uniform, and equitable statewide
17 residential property tax relief.

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

20 ~~((Unless a different meaning is plainly required by the context,~~
21 ~~the following words and phrases as hereinafter used in this chapter~~
22 ~~shall have the following meanings:))~~ The definitions in this section
23 apply throughout this chapter unless the context clearly requires
24 otherwise.

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

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

32 (2) ~~((("Department" means the state department of revenue.~~

33 ~~(3))~~ "Devisee" means any person designated in a will to receive
34 a disposition of real or personal property.

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

1 (4) "Heirs" means those persons, including the surviving spouse,
2 who are entitled under the statutes of intestate succession to the
3 property of a decedent.

4 (5) "Income threshold" means:

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

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

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

18 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
19 levied on a residence in this state in the preceding calendar year.

20 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.

21 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
22 imposed by a local government upon property specially benefited.

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

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

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

32 (2) The claimant must be sixty years of age or older on December
33 31st of the year in which the deferral claim is filed, or must have
34 been, at the time of filing, retired from regular gainful employment
35 by reason of disability as defined in RCW 84.36.383. However, any
36 surviving spouse ~~((+8))~~, surviving domestic partner, heir, or devisee
37 of a person who was receiving a deferral at the time of the person's
38 death qualifies if the surviving spouse ~~((+9))~~, surviving domestic

1 partner, heir, or devisee is fifty-seven years of age or older and
2 otherwise meets the requirements of this section.

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

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

14 (5) The claimant must have and keep in force fire and casualty
15 insurance in sufficient amount to protect the interest of the state
16 in the claimant's equity value. However, if the claimant fails to
17 keep fire and casualty insurance in force to the extent of the
18 state's interest in the claimant's equity value, the amount deferred
19 may not exceed one hundred percent of the claimant's equity value in
20 the land or lot only.

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

24 **Sec. 7.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
25 read as follows:

26 If the claimant declaring his or her intention to defer special
27 assessments or real property tax obligations under this chapter
28 ceases to reside permanently on the property for which the
29 declaration to defer is made between the date of filing the
30 declaration and December 15th of that year, the deferral otherwise
31 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
32 tax roll. However, this section (~~shall~~) does not apply where the
33 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
34 devisee surviving, who is also eligible for deferral of special
35 assessment and/or property taxes.

36 **Sec. 8.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
37 read as follows:

1 Special assessments and/or real property tax obligations deferred
2 under this chapter (~~((shall))~~) become payable together with interest as
3 provided in RCW 84.38.100:

4 (1) Upon the sale of property which has a deferred special
5 assessment and/or real property tax lien upon it.

6 (2) Upon the death of the claimant with an outstanding deferred
7 special assessment and/or real property tax lien except a surviving
8 spouse (~~((or))~~), surviving domestic partner, heir, or devisee who is
9 qualified under this chapter may elect to incur the special
10 assessment and/or real property tax lien, which (~~((shall))~~) is then
11 (~~((be))~~) payable by that spouse (~~((or that))~~), domestic partner, heir, or
12 devisee as provided in this section.

13 (3) Upon the condemnation of property with a deferred special
14 assessment and/or real property tax lien upon it by a public or
15 private body exercising eminent domain power, except as otherwise
16 provided in RCW 84.60.070.

17 (4) At such time as the claimant ceases to reside permanently in
18 the residence upon which the deferral has been granted.

19 (5) Upon the failure of any condition set forth in RCW 84.38.030.

20 **Sec. 9.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
21 read as follows:

22 (1) A surviving spouse (~~((or))~~), surviving domestic partner, heir,
23 or devisee of the claimant may elect to continue the property in its
24 deferred tax status if the property is the residence of the spouse
25 (~~((or))~~), domestic partner, heir, or devisee of the claimant and the
26 spouse (~~((or))~~), domestic partner, heir, or devisee meets the
27 requirements of this chapter.

28 (2) The election under this section to continue the property in
29 its deferred status by the spouse (~~((or the))~~), domestic partner, heir,
30 or devisee of the claimant (~~((shall))~~) must be filed in the same manner
31 as an original claim for deferral is filed under this chapter (~~((, not~~
32 ~~later than ninety days from the date of the claimant's death))~~).
33 Thereupon, the property with respect to which the deferral of special
34 assessments and/or real property taxes is claimed (~~((shall))~~) must
35 continue to be treated as deferred property. When the property has
36 been continued in its deferred status by the filing of the spouse
37 (~~((or the))~~), domestic partner, heir, or devisee of the claimant of an
38 election under this section, the spouse (~~((or the))~~), domestic partner,
39 heir, or devisee of the claimant may continue the property in its

1 deferred status in subsequent years by filing a claim under this
2 chapter so long as the spouse (~~or the~~), domestic partner, heir, or
3 devisee meets the qualifications set out in this section.

4 NEW SECTION. **Sec. 10.** This act applies to taxes levied for
5 collection in 2022 and thereafter.

6 NEW SECTION. **Sec. 11.** The provisions of RCW 82.32.805 and
7 82.32.808 do not apply to this act.

8 NEW SECTION. **Sec. 12.** This act takes effect March 1, 2021.

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