
ENGROSSED SUBSTITUTE SENATE BILL 5160

AS AMENDED BY THE HOUSE

Passed Legislature - 2019 Regular Session

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; and creating new sections.

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

6 **Sec. 1.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to read
7 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, ~~((or))~~ adult family
20 home, or home of a relative for the purpose of long-term care does
21 not disqualify the claim of exemption if:

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

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

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

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

10 (2) The person claiming the exemption must have owned, at the
11 time of filing, in fee, as a life estate, or by contract purchase,
12 the residence on which the property taxes have been imposed or if the
13 person claiming the exemption lives in a cooperative housing
14 association, corporation, or partnership, such person must own a
15 share therein representing the unit or portion of the structure in
16 which he or she resides. For purposes of this subsection, a residence
17 owned by a marital community or state registered domestic partnership
18 or owned by cotenants is deemed to be owned by each spouse or each
19 domestic partner or each cotenant, and any lease for life is deemed a
20 life estate;

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

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

26 (ii) A veteran of the armed forces of the United States entitled
27 to and receiving compensation from the United States department of
28 veterans affairs at ~~((a total disability rating for a service-~~
29 ~~connected disability))~~);

30 (A) A combined service-connected evaluation rating of eighty
31 percent or higher; or

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

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

39 (4) The amount that the person is exempt from an obligation to
40 pay is calculated on the basis of combined disposable income, as

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

16 (5) (a) A person who otherwise qualifies under this section and
17 has a combined disposable income (~~(of forty thousand dollars or~~
18 ~~less)) equal or less than income threshold 3 is exempt from all
19 excess property taxes, the additional state property tax imposed
20 under RCW 84.52.065(2), and the portion of the regular property taxes
21 authorized pursuant to RCW 84.55.050 and approved by the voters, if
22 the legislative authority of the county or city imposing the
23 additional regular property taxes identified this exemption in the
24 ordinance placing the RCW 84.55.050 measure on the ballot; and~~

25 (b) (i) A person who otherwise qualifies under this section and
26 has a combined disposable income (~~(of thirty-five thousand dollars or~~
27 ~~less but greater than thirty thousand dollars)) equal to or less than
28 income threshold 2 but greater than income threshold 1 is exempt from
29 all regular property taxes on the greater of fifty thousand dollars
30 or thirty-five percent of the valuation of his or her residence, but
31 not to exceed seventy thousand dollars of the valuation of his or her
32 residence; or~~

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

38 (6) (a) For a person who otherwise qualifies under this section
39 and has a combined disposable income (~~(of forty thousand dollars or~~
40 ~~less)) equal or less than income threshold 3, the valuation of the~~

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

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

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

22 **Sec. 2.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
23 read as follows:

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

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

1 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
2 residence is deemed real property.

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

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

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

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

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

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

27 (5) "Disposable income" means adjusted gross income as defined in
28 the federal internal revenue code, as amended prior to January 1,
29 1989, or such subsequent date as the director may provide by rule
30 consistent with the purpose of this section, plus all of the
31 following items to the extent they are not included in or have been
32 deducted from adjusted gross income:

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

36 (b) Amounts deducted for loss;

37 (c) Amounts deducted for depreciation;

38 (d) Pension and annuity receipts;

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

1 (f) Veterans benefits, other than:
2 (i) Attendant-care payments;
3 (ii) Medical-aid payments;
4 (iii) Disability compensation, as defined in Title 38, part 3,
5 section 3.4 of the code of federal regulations, as of January 1,
6 2008; and
7 (iv) Dependency and indemnity compensation, as defined in Title
8 38, part 3, section 3.5 of the code of federal regulations, as of
9 January 1, 2008;
10 (g) Federal social security act and railroad retirement benefits;
11 (h) Dividend receipts; and
12 (i) Interest received on state and municipal bonds.
13 (6) "Cotenant" means a person who resides with the person
14 claiming the exemption and who has an ownership interest in the
15 residence.
16 (7) "Disability" has the same meaning as provided in 42 U.S.C.
17 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such
18 subsequent date as the department may provide by rule consistent with
19 the purpose of this section.
20 (8) "County median household income" means the median household
21 income estimates for the state of Washington by county of the legal
22 address of the principal place of residence, as published by the
23 office of financial management.
24 (9) "Income threshold 1" means:
25 (a) For taxes levied for collection in calendar years prior to
26 2020, a combined disposable income equal to thirty thousand dollars;
27 and
28 (b) For taxes levied for collection in calendar year 2020 and
29 thereafter, a combined disposable income equal to the greater of
30 "income threshold 1" for the previous year or forty-five percent of
31 the county median household income, adjusted every five years
32 beginning August 1, 2019, as provided in RCW 84.36.385(8).
33 (10) "Income threshold 2" means:
34 (a) For taxes levied for collection in calendar years prior to
35 2020, a combined disposable income equal to thirty-five thousand
36 dollars; and
37 (b) For taxes levied for collection in calendar year 2020 and
38 thereafter, a combined disposable income equal to the greater of
39 "income threshold 2" for the previous year or fifty-five percent of

1 the county median household income, adjusted every five years
2 beginning August 1, 2019, as provided in RCW 84.36.385(8).

3 (11) "Income threshold 3" means:

4 (a) For taxes levied for collection in calendar years prior to
5 2020, a combined disposable income equal to forty thousand dollars;
6 and

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

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

15 **Sec. 3.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
16 read as follows:

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

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

28 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
29 thereafter(~~(7)~~) must file with the county assessor a renewal
30 application not later than December 31 of the year the assessor
31 notifies such person of the requirement to file the renewal
32 application. Renewal applications must be on forms prescribed and
33 furnished by the department of revenue.

34 (4) At least once every six years, the county assessor must
35 notify those persons receiving an exemption from taxes under RCW
36 84.36.381 of the requirement to file a renewal application. The
37 county assessor may also require a renewal application following an
38 amendment of the income requirements set forth in RCW 84.36.381.

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

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

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

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

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

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

3 **Sec. 4.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to read
4 as follows:

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

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

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

17 (2) ~~(("Department" means the state department of revenue.))~~
18 "Devisee" has the same meaning as provided in RCW 21.35.005.

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

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

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

1 the nearest one dollar. If the income threshold adjustment is
2 negative, 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 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
9 levied on a residence in this state in the preceding calendar year.

10 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.

11 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
12 imposed by a local government upon property specially benefited.

13 **Sec. 5.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c 86
14 s 313 are each reenacted and amended to read as follows:

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

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

22 (2) The claimant must be sixty years of age or older on December
23 31st of the year in which the deferral claim is filed, or must have
24 been, at the time of filing, retired from regular gainful employment
25 by reason of disability as defined in RCW 84.36.383. However, any
26 surviving spouse ~~((or))~~, surviving domestic partner, heir, or devisee
27 of a person who was receiving a deferral at the time of the person's
28 death qualifies if the surviving spouse ~~((or))~~, surviving domestic
29 partner, heir, or devisee is fifty-seven years of age or older and
30 otherwise meets the requirements of this section.

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

34 (4) The claimant must have owned, at the time of filing, the
35 residence on which the special assessment and/or real property taxes
36 have been imposed. For purposes of this subsection, a residence owned
37 by a marital community, owned by domestic partners, or owned by
38 cotenants is deemed to be owned by each spouse, each domestic
39 partner, or each cotenant. A claimant who has only a share ownership

1 in cooperative housing, a life estate, a lease for life, or a
2 revocable trust does not satisfy the ownership requirement.

3 (5) The claimant must have and keep in force fire and casualty
4 insurance in sufficient amount to protect the interest of the state
5 in the claimant's equity value. However, if the claimant fails to
6 keep fire and casualty insurance in force to the extent of the
7 state's interest in the claimant's equity value, the amount deferred
8 may not exceed one hundred percent of the claimant's equity value in
9 the land or lot only.

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

13 **Sec. 6.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
14 read as follows:

15 If the claimant declaring his or her intention to defer special
16 assessments or real property tax obligations under this chapter
17 ceases to reside permanently on the property for which the
18 declaration to defer is made between the date of filing the
19 declaration and December 15th of that year, the deferral otherwise
20 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
21 tax roll. However, this section (~~shall~~) does not apply where the
22 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
23 devisee surviving, who is also eligible for deferral of special
24 assessment and/or property taxes.

25 **Sec. 7.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
26 read as follows:

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

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

32 (2) Upon the death of the claimant with an outstanding deferred
33 special assessment and/or real property tax lien except a surviving
34 spouse (~~or~~), surviving domestic partner, heir, or devisee who is
35 qualified under this chapter may elect to incur the special
36 assessment and/or real property tax lien, which (~~shall~~) is then
37 (~~be~~) payable by that spouse (~~or that~~), domestic partner, heir, or
38 devisee as provided in this section.

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

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

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

8 **Sec. 8.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
9 read as follows:

10 (1) A surviving spouse ~~((or))~~, surviving domestic partner, heir,
11 or devisee of the claimant may elect to continue the property in its
12 deferred tax status if the property is the residence of the spouse
13 ~~((or))~~, domestic partner, heir, or devisee of the claimant and the
14 spouse ~~((or))~~, domestic partner, heir, or devisee meets the
15 requirements of this chapter.

16 (2) The election under this section to continue the property in
17 its deferred status by the spouse ~~((or))~~, the domestic partner, heir,
18 or devisee of the claimant ~~((shall))~~ must be filed in the same manner
19 as an original claim for deferral is filed under this chapter ~~((not~~
20 ~~later than ninety days from the date of the claimant's death))~~
21 Thereupon, the property with respect to which the deferral of special
22 assessments and/or real property taxes is claimed ~~((shall))~~ must
23 continue to be treated as deferred property. When the property has
24 been continued in its deferred status by the filing of the spouse
25 ~~((or))~~, the domestic partner, heir, or devisee of the claimant of an
26 election under this section, the spouse ~~((or the))~~, the domestic partner,
27 heir, or devisee of the claimant may continue the property in its
28 deferred status in subsequent years by filing a claim under this
29 chapter so long as the spouse ~~((or the))~~, domestic partner, heir, or
30 devisee meets the qualifications set out in this section.

31 NEW SECTION. **Sec. 9.** This act applies for taxes levied for
32 collection in 2020 and thereafter.

33 NEW SECTION. **Sec. 10.** The provisions of RCW 82.32.805 and
34 82.32.808 do not apply to this act.

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