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**SENATE BILL 5391**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Senator McCune

1 AN ACT Relating to increasing the income eligibility requirement  
2 for the senior citizen and persons with disabilities property tax  
3 exemption program; amending RCW 84.36.381 and 84.38.020; reenacting  
4 and amending RCW 84.36.383; and creating new sections.

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 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 years of age or older and otherwise  
35 meets the requirements of this section;

36 (4) 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. If the person claiming the exemption was  
39 retired for two months or more of the assessment year, the combined  
40 disposable income of such person must be calculated by multiplying

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

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

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

29 (ii) A person who otherwise qualifies under this section and has  
30 a combined disposable income equal to or less than income threshold 1  
31 is exempt from all regular property taxes on the greater of (~~(sixty~~  
32 ~~thousand dollars)~~) \$150,000 or sixty percent of the valuation of his  
33 or her residence;

34 (6) (a) For a person who otherwise qualifies under this section  
35 and has a combined disposable income equal (~~((+t+))~~) to or less than  
36 income threshold 3, the valuation of the residence is the assessed  
37 value of the residence on the later of January 1, 1995, or January  
38 1st of the assessment year the person first qualifies under this  
39 section. If the person subsequently fails to qualify under this  
40 section only for one year because of high income, this same valuation

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

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

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

18 **Sec. 2.** RCW 84.36.383 and 2020 c 209 s 3 are each reenacted and  
19 amended to read as follows:

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

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

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

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

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

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

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

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

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

10 (6) "Disposable income" means adjusted gross income as defined in  
11 the federal internal revenue code, as amended prior to January 1,  
12 1989, or such subsequent date as the director may provide by rule  
13 consistent with the purpose of this section, plus all of the  
14 following items to the extent they are not included in or have been  
15 deducted from adjusted gross income:

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

19 (b) Amounts deducted for loss;

20 (c) Amounts deducted for depreciation;

21 (d) Pension and annuity receipts;

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

24 (f) Veterans benefits, other than:

25 (i) Attendant-care payments;

26 (ii) Medical-aid payments;

27 (iii) Disability compensation, as defined in Title 38, part 3,  
28 section 3.4 of the Code of Federal Regulations, as of January 1,  
29 2008; and

30 (iv) Dependency and indemnity compensation, as defined in Title  
31 38, part 3, section 3.5 of the Code of Federal Regulations, as of  
32 January 1, 2008;

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

34 (h) Dividend receipts; and

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

36 (7) "Income threshold 1" means:

37 (a) For taxes levied for collection in calendar (~~years prior to~~  
38 ~~2020~~) year 2022, a combined disposable income equal to (~~thirty~~  
39 ~~thousand dollars~~) \$60,000; and

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

6 (8) "Income threshold 2" means:

7 (a) For taxes levied for collection in calendar (~~(years prior to~~  
8 ~~2020)~~) year 2022, a combined disposable income equal to (~~(thirty-five~~  
9 ~~thousand dollars)~~) \$65,000; and

10 (b) For taxes levied for collection in calendar year (~~(2020)~~)  
11 2023 and thereafter, a combined disposable income equal to the  
12 greater of "income threshold 2" for the previous year or fifty-five  
13 percent of the county median household income, adjusted every five  
14 years (~~(beginning August 1, 2019)~~), 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)~~) year 2022, a combined disposable income equal to (~~(forty~~  
18 ~~thousand dollars)~~) \$70,000; and

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

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

27 (11) The term "real property" also includes a mobile home which  
28 has substantially lost its identity as a mobile unit by virtue of its  
29 being fixed in location upon land owned or leased by the owner of the  
30 mobile home and placed on a foundation (posts or blocks) with fixed  
31 pipe, connections with sewer, water, or other utilities. A mobile  
32 home located on land leased by the owner of the mobile home is  
33 subject, for tax billing, payment, and collection purposes, only to  
34 the personal property provisions of chapter 84.56 RCW and RCW  
35 84.60.040.

36 (12) The term "residence" means a single-family dwelling unit  
37 whether such unit be separate or part of a multiunit dwelling,  
38 including the land on which such dwelling stands not to exceed one  
39 acre, except that a residence includes any additional property up to  
40 a total of five acres that comprises the residential parcel if this

1 larger parcel size is required under land use regulations. The term  
2 also includes a share ownership in a cooperative housing association,  
3 corporation, or partnership if the person claiming exemption can  
4 establish that his or her share represents the specific unit or  
5 portion of such structure in which he or she resides. The term also  
6 includes a single-family dwelling situated upon lands the fee of  
7 which is vested in the United States or any instrumentality thereof  
8 including an Indian tribe or in the state of Washington, and  
9 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
10 residence is deemed real property.

11 **Sec. 3.** RCW 84.38.020 and 2019 c 453 s 4 are each amended to  
12 read as follows:

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

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

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

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

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

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

28 (5) "Income threshold" means: (a) For taxes levied for collection  
29 in calendar (~~(years prior to 2020)~~) year 2022, a combined disposable  
30 income equal to (~~(forty-five thousand dollars)~~) \$75,000; and (b) for  
31 taxes levied for collection in calendar year (~~(2020)~~) 2023 and  
32 thereafter, a combined disposable income equal to the greater of the  
33 income threshold for the previous year, or seventy-five percent of  
34 the county median household income, adjusted every five years  
35 (~~(beginning August 1, 2019)~~), as provided in RCW 84.36.385(8).  
36 Beginning with the adjustment made by March 1, 2024, as provided in  
37 RCW 84.36.385(8), and every second adjustment thereafter, if the  
38 income threshold in a county is not adjusted based on percentage of  
39 county median income as provided in this subsection, then the income

1 threshold must be adjusted based on the growth of the consumer price  
2 index for all urban consumers (CPI-U) for the prior twelve-month  
3 period as published by the United States bureau of labor statistics.  
4 In no case may the adjustment be greater than one percent. The  
5 adjusted threshold must be rounded to the nearest one dollar. If the  
6 income threshold adjustment is negative, the income threshold for the  
7 prior year continues to apply.

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

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

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

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

18 NEW SECTION. **Sec. 4.** The provisions of RCW 82.32.805 and  
19 82.32.808 do not apply to this act.

20 NEW SECTION. **Sec. 5.** This act applies for taxes levied for  
21 collection in 2022 and thereafter.

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