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**SENATE BILL 5802**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Senator Fortunato

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

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

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

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

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

18 (a) Drugs supplied by prescription of a medical practitioner  
19 authorized by the laws of this state or another jurisdiction to issue  
20 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 (c) Health care insurance premiums for medicare under Title XVIII  
4 of the social security act;  
5 (d) Costs related to medicare supplemental policies as defined in  
6 Title 42 U.S.C. Sec. 1395ss;  
7 (e) Durable medical equipment, mobility enhancing equipment,  
8 medically prescribed oxygen, and prosthetic devices as defined in RCW  
9 82.08.0283;  
10 (f) Long-term care insurance as defined in RCW 48.84.020;  
11 (g) Cost-sharing amounts as defined in RCW 48.43.005;  
12 (h) Nebulizers as defined in RCW 82.08.803;  
13 (i) Medicines of mineral, animal, and botanical origin  
14 prescribed, administered, dispensed, or used in the treatment of an  
15 individual by a person licensed under chapter 18.36A RCW;  
16 (j) Ostomic items as defined in RCW 82.08.804;  
17 (k) Insulin for human use;  
18 (l) Kidney dialysis devices; and  
19 (m) Disposable devices used to deliver drugs for human use as  
20 defined in RCW 82.08.935.  
21 (2) "Cotenant" means a person who resides with the person  
22 claiming the exemption and who has an ownership interest in the  
23 residence.  
24 (3) "County median household income" means the median household  
25 income estimates for the state of Washington by county of the legal  
26 address of the principal place of residence, as published by the  
27 office of financial management.  
28 (4) "Department" means the state department of revenue.  
29 (5) "Disability" has the same meaning as provided in 42 U.S.C.  
30 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such  
31 subsequent date as the department may provide by rule consistent with  
32 the purpose of this section.  
33 (6) "Disposable income" means adjusted gross income as defined in  
34 the federal internal revenue code, as amended prior to January 1,  
35 1989, or such subsequent date as the director may provide by rule  
36 consistent with the purpose of this section, plus all of the  
37 following items to the extent they are not included in or have been  
38 deducted from adjusted gross income:

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

4 (b) Amounts deducted for loss;

5 (c) Amounts deducted for depreciation;

6 (d) Pension and annuity receipts;

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

9 (f) Veterans benefits, other than:

10 (i) Attendant-care payments;

11 (ii) Medical-aid payments;

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

15 (iv) Dependency and indemnity compensation, as defined in Title  
16 38, part 3, section 3.5 of the Code of Federal Regulations, as of  
17 January 1, 2008;

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

19 (h) Dividend receipts; and

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

21 (7) "Income threshold 1" means:

22 (a) For taxes levied for collection in calendar (~~years prior to~~  
23 ~~2020~~) year 2023, a combined disposable income equal to (~~thirty~~  
24 ~~thousand dollars~~) \$60,000; and

25 (b) For taxes levied for collection in calendar year (~~2020~~)  
26 2024 and thereafter, a combined disposable income equal to the  
27 greater of "income threshold 1" for the previous year or (~~forty-~~  
28 ~~five~~) 45 percent of the county median household income, adjusted  
29 every five years beginning August 1, (~~2019~~) 2026, as provided in  
30 RCW 84.36.385(8).

31 (8) "Income threshold 2" means:

32 (a) For taxes levied for collection in calendar (~~years prior to~~  
33 ~~2020~~) year 2023, a combined disposable income equal to (~~thirty-five~~  
34 ~~thousand dollars~~) \$65,000; and

35 (b) For taxes levied for collection in calendar year (~~2020~~)  
36 2024 and thereafter, a combined disposable income equal to the  
37 greater of "income threshold 2" for the previous year or (~~fifty-~~  
38 ~~five~~) 55 percent of the county median household income, adjusted  
39 every five years beginning August 1, (~~2019~~) 2026, as provided in  
40 RCW 84.36.385(8).

1 (9) "Income threshold 3" means:

2 (a) For taxes levied for collection in calendar (~~years prior to~~  
3 ~~2020~~) year 2023, a combined disposable income equal to (~~forty~~  
4 ~~thousand dollars~~) \$70,000; and

5 (b) For taxes levied for collection in calendar year (~~2020~~)  
6 2024 and thereafter, a combined disposable income equal to the  
7 greater of "income threshold 3" for the previous year or (~~sixty-~~  
8 ~~five~~) 65 percent of the county median household income, adjusted  
9 every five years beginning August 1, (~~2019~~) 2026, as provided in  
10 RCW 84.36.385(8).

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

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

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

38 **Sec. 2.** RCW 84.36.385 and 2021 c 145 s 24 are each amended to  
39 read as follows:

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

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

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

18 (4) At least once every six years, the county assessor must  
19 notify those persons receiving an exemption from taxes under RCW  
20 84.36.381 of the requirement to file a renewal application. The  
21 county assessor may also require a renewal application following an  
22 amendment of the income requirements set forth in RCW 84.36.381.

23 (5) If the assessor finds that the applicant does not meet the  
24 qualifications as set forth in RCW 84.36.381, as now or hereafter  
25 amended, the claim or exemption must be denied but such denial is  
26 subject to appeal under the provisions of RCW 84.48.010 and in  
27 accordance with the provisions of RCW 84.40.038. If the applicant had  
28 received exemption in prior years based on erroneous information, the  
29 taxes must be collected subject to penalties as provided in RCW  
30 84.40.130 for a period of not to exceed five years.

31 (6) The department and each local assessor is hereby directed to  
32 publicize the qualifications and manner of making claims under RCW  
33 84.36.381 through 84.36.389, through communications media, including  
34 such paid advertisements or notices as it deems appropriate. Notice  
35 of the qualifications, method of making applications, the penalties  
36 for not reporting a change in status, and availability of further  
37 information must be included on or with property tax statements and  
38 revaluation notices for all residential property including mobile  
39 homes, except rental properties.

1 (7) The department must authorize an option for electronic filing  
2 of applications and renewal applications for the exemption under RCW  
3 84.36.381.

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

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

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

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

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

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

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

38 (3) "Equity value" means the amount by which the fair market  
39 value of a residence as determined from the records of the county

1 assessor exceeds the total amount of any liens or other obligations  
2 against the property.

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

4 (5) "Income threshold" means: (a) For taxes levied for collection  
5 in calendar (~~(years prior to 2020)~~) year 2023, a combined disposable  
6 income equal to (~~(forty-five thousand dollars)~~) \$75,000; and (b) for  
7 taxes levied for collection in calendar year (~~(2020)~~) 2024 and  
8 thereafter, a combined disposable income equal to the greater of the  
9 income threshold for the previous year, or (~~(seventy-five)~~) 75  
10 percent of the county median household income, adjusted every five  
11 years beginning August 1, (~~(2019)~~) 2022, as provided in RCW  
12 84.36.385(8). Beginning with the adjustment made by March 1, (~~(2024)~~)  
13 2027, as provided in RCW 84.36.385(8), and every second adjustment  
14 thereafter, if the income threshold in a county is not adjusted based  
15 on percentage of county median income as provided in this subsection,  
16 then the income threshold must be adjusted based on the growth of the  
17 consumer price index for all urban consumers (CPI-U) for the prior  
18 (~~(twelve)~~) 12-month period as published by the United States bureau  
19 of labor statistics. In no case may the adjustment be greater than  
20 one percent. The adjusted threshold must be rounded to the nearest  
21 one dollar. If the income threshold adjustment is negative, the  
22 income threshold for the prior year continues to apply.

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

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

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

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

33 **Sec. 4.** RCW 84.38.100 and 2013 c 221 s 8 are each amended to  
34 read as follows:

35 Whenever a person's special assessment and/or real property tax  
36 obligation is deferred under the provisions of this chapter, the  
37 amount deferred and required to be paid pursuant to RCW 84.38.120  
38 becomes a lien in favor of the state upon his or her property and has  
39 priority as provided in chapters 35.49, 35.50, 36.35, and 84.60 RCW.

1 However, the interest of a mortgage or purchase contract holder who  
2 is required to cosign a declaration of deferral under RCW 84.38.090,  
3 has priority to such deferred lien. This lien may accumulate up to  
4 eighty percent of the amount of the claimant's equity value in the  
5 property and must bear interest at the rate of (~~five~~) two percent  
6 per year from the time it could have been paid before delinquency  
7 until said obligation is paid. However, when taxes are deferred as  
8 provided in RCW 84.64.050, the amount must bear interest at the rate  
9 of (~~five~~) two percent per year from the date the declaration is  
10 filed until the obligation is paid or the date that the obligation is  
11 charged off as finally uncollectible. In the case of a mobile home,  
12 the department of licensing must show the state's lien on the  
13 certificate of title for the mobile home. In the case of all other  
14 property, the department of revenue must file a notice of the  
15 deferral with the county recorder or auditor.

16 NEW SECTION. **Sec. 5.** This act applies to taxes levied for  
17 collection in 2023 and thereafter.

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