Property Tax Deferral for Senior Citizens and Disabled Persons

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If you are a senior citizen or disabled person with your primary residence in Washington State, there are two programs that may help you pay your property taxes and/or special assessments. Your household income and your age or disability determines your eligibility for both programs.

This publication provides an overview of the property tax deferral program that helps senior citizens and disabled persons postpone the payment of their property tax and/or special assessments.

For information about the property tax exemption program, see the Property Tax Exemption for Senior Citizens and Disabled Persons fact sheet.

Program Overview

Under the deferral program, the Washington State Department of Revenue pays the property taxes and/or special assessments* on your behalf.

The deferred amount, plus interest, becomes a lien in favor of the state until the total amount is repaid. Property tax deferral is available for property taxes and/or special assessments on your primary residence and up to five acres** of land. Mobile homes may qualify, even if the land where the mobile home is located is leased or rented.

*A special assessment is for a local improvement that directly benefits your property. Examples include assessments for sewers, lights, water, paving, or curbing. Special assessments are also known as Local Improvement Districts (LIDs) or Utility Local Improvement Districts (ULIDs).

** The deferral is available for a primary residence and one acre of land. If local zoning and land use regulations require more than one acre of land per residence in the area where you live, you may be eligible for a property tax deferral on up to five acres of land.

Eligibility Requirements

To be eligible for this program you must meet the age or disability, ownership, residency, and income requirements.

Age or disability

This program is only available to residents and property located in Washington State. You must meet one of the below criteria:

- At least 60 years of age by December 31 of the year you apply.
- Unable to work because of a disability.
- At least 57 years of age and the surviving spouse or domestic partner of a person who was receiving a deferral at the time of his/her death.

Your application must include proof of your age or disability.

Ownership

You must own the home. An irrevocable trust may qualify.

A home owned jointly by a married couple, a registered domestic partnership, or by co-tenants is considered owned by each spouse, domestic partner, or co-tenant. Only one person must meet the age or disability requirement.

You are NOT eligible to defer your taxes if you have only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust.

This material is intended for general information purposes and does not alter or supersede any administrative regulations or rulings issued by the Washington State Department of Revenue.

Residency
The property must be located in Washington State and be your principal home at the time you apply for the deferral. You must occupy the home for more than six months each year.

Your residence may qualify even if you are temporarily in a hospital, nursing home, boarding home, or adult family home. You may rent your residence to someone else during your stay in one of these facilities if the rental income is used to pay the facility costs.

Property used as a vacation home is not eligible for the deferral program.

Household income
Your annual household disposable income may not exceed $45,000. For more information on how income is calculated, see Calculating Your Disposable Income.

If your household income is $40,000 or less, you must apply for the Property Tax Exemption Program for Senior Citizens and Disabled Persons before you apply for the deferral program. Contact your local county assessor's office for an application packet.

Household income includes your disposable income and the disposable income of your spouse or domestic partner and any co-tenants. A co-tenant is a person who lives in your home and has an ownership interest in your home.

Household income does not include income of a person who:

- Lives in your home but is not your spouse or domestic partner and does not have an ownership interest in your home. However, you must include any income that person contributes to the household (for example, rent, utilities, groceries, etc.).
- Does not live in your home but has an ownership interest in your home. If someone living elsewhere has an ownership interest in your residence, the amount of your deferral will be limited by your ownership equity in your home.

Property Taxes and Special Assessments Eligible for Deferral

The amount of equity you have in your home determines the amount of property taxes and/or special assessments eligible for deferral.

Equity is the difference between the assessed value of the property and any debts secured by the property. On your application form, you must provide current balances for all debts that are secured by the property.

Providing you meet all qualifications and maintain adequate fire and casualty insurance, you may defer taxes and special assessments in an amount up to 80 percent of your equity.

Following is an example of the equity calculation:

	Equity
Land assessed value	$100,000
Dwelling assessed value	+ $150,000
Total assessed value included in calculation	$250,000
Mortgage balance	- $150,000
Equity value for deferral program	$100,000
80 percent of equity value – maximum deferral	$80,000

You must carry fire and casualty insurance, and the State of Washington Department of Revenue must be listed as a "Loss Payee" on your policy, otherwise, we cannot include the value of your dwelling in the calculation. Provide a copy of the summary declaration for your policy when you submit your application.

Calculating Your Disposable Income

The disposable income you receive during the year before you submit your application determines your eligibility. You must use your 2016 income to qualify for this deferral in 2017. If there was a change in your income prior to November 1 and the change is expected to last indefinitely, you may estimate annual income by multiplying your new average monthly income by 12.

Disposable income is defined in statute (RCW 84.36.383) and includes income from all sources, whether or not the income is taxable for federal income tax purposes. You must include nontaxable income such as social security, and you may not deduct losses and depreciation or use losses to offset gains.

Legislation passed in 2008 allows the exclusion of veterans' disability compensation and dependency and indemnity compensation paid by Department of Veterans Affairs.

You may deduct non-reimbursed amounts paid by you, your spouse, or your domestic partner for the following:

- Amounts you pay for yourself, your spouse, or your domestic partner to live in a nursing home, boarding home, or adult family home.
- Insurance premiums for Medicare under Title XVIII of the Social Security Act.
- Amounts paid for prescription drugs for yourself, your spouse, or your domestic partner.
- Amounts you pay for goods and services that allow you, your spouse, or your domestic partner to receive in-home care. In-home care includes medical treatment, physical therapy, Meals on Wheels (or similar services), and household and personal care. Personal care

includes assistance with preparing meals, getting dressed, eating, taking medications, or personal hygiene. Special furniture and equipment such as wheelchairs, hospitals beds, and oxygen also qualify.

Applying for the Deferral

Your county assessor administers this program and is responsible for determining if you meet the qualifications. Contact your local assessor's office to request an application form.

You should apply at least 30 days before payment of the property taxes and/or special assessments is due. Filing a complete application at least 30 days before your tax and/or special assessment is due helps avoid late payment penalties and interest. If you are applying to stop the county treasurer from foreclosing for unpaid taxes, you should apply within 30 days of receiving the foreclosure notice. If you have unpaid taxes or special assessments from prior years you may request payment for the prior years on the same application form. You do not need to submit a separate application for each year.

Sign the Application

You, your agent, or your legal guardian must sign the application. Any others who have an ownership interest in the property must also sign the application.

The lien holder's (mortgage holder) notarized signature must be on the application if ALL three of the following apply:

- The property is under mortgage, purchase contract, or a deed of trust.
- The mortgage or purchase contract requires a reserve account for the payment of taxes.
- The lien holder (mortgage holder) wants their lien to have priority over the deferred tax lien.

Annual Application

The deferral is not automatic and you must file a renewal application each year.

If you are deferring special assessments, you must choose the installment payment method if it is available.

Appeal Process

The county assessor must notify you in writing if your application is denied. You may appeal the assessor's decision to the county Board of Equalization. The county Board of Equalization must receive your appeal by July 1, or within 30 days of when the denial notice was mailed, whichever date is later.

Repaying the Deferral

The deferred amount and interest must be repaid when one of the following occurs:

- You transfer or convey your property to someone else.
- You no longer permanently reside at the residence.
- Your property is condemned.
- You no longer maintain fire and casualty insurance listing the Washington State Department of Revenue as a loss payee in an amount that is sufficient to protect the interest of the state, and the deferred amount exceeds 100 percent of your equity in only the land value.
- Upon your death, unless your surviving spouse or domestic partner is at least 57 years old, meets the qualifications for the deferral, and files an application with the county assessor within 90 days of your death.

Rate of Interest

Taxes deferred on or after January 1, 2007 accrue interest at an annual rate of 5 percent. Taxes deferred before January 1, 2007 accrue interest at an annual rate of 8 percent.

Laws and Rules

Revised Code of Washington (RCW) Chapter 84.38—Deferral of Special Assessments and/or Property Taxes

Washington Administrative Code (WAC) Chapter 458-18—Property Tax - Abatements, Credits, Deferrals, and Refunds

For More Information

For questions about the laws and rules governing this program or for questions about your existing deferral account, such as account balance, making a payment, reporting changes in your circumstances, etc. contact the Deferral Administrator at (360) 534-1426.

If you need an application form or have questions about the application process, contact your local county assessor's office (listed in the local county government pages of your telephone book).

Visit our website at http://dor.wa.gov

For tax assistance or to request this document in an alternate format, visit http://dor.wa.gov or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

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