

# Special Notice

*Intended audience: County assessors, county treasurers, taxing districts, local governments, and program participants.*

**July 3, 2024**

## Legislative updates to the property tax assistance program for individuals expands to accessory dwelling units

Beginning June 6, 2024, accessory dwelling units may be eligible for certain property tax assistance programs available to individuals. This change applies to property taxes collected in 2025 and after.

[House Bill 2375 \(HB 2375\)](#) defines an accessory dwelling unit (ADU) as “a separate, autonomous residential dwelling unit that provides complete independent living facilities for one or more persons and includes permanent provisions for living, sleeping, eating, cooking, and sanitation.” It adds this meaning of ADU to the definition of a “residence.” The changes result in a greater reduction of property taxes for the applicant because the value of the ADU is included in the reduced valuation for the program(s).

The following programs are affected by these changes:

- RCW 84.36.381 Property Tax Exemption for Senior Citizens and People with Disabilities.
- RCW 84.38.020 Property Tax Deferral for Senior Citizens and People with Disabilities.
- RCW 84.37.020 Property Tax Deferral for Homeowners with Limited Income.
- RCW 84.39.010 Property Tax Assistance Program for Widows or Widowers of Veterans.

### Definitions

**Accessory dwelling unit** means a separate, autonomous residential dwelling unit that provides complete independent living facilities for one or more persons, and includes permanent provisions for living, sleeping, eating, cooking, and sanitation (RCW 84.36.383(1)).

**Residence** means a single-family dwelling unit, whether such unit be separate or part of a multiunit

dwelling, may include one accessory dwelling unit and includes the land on which such dwellings stand not to exceed one acre, except that a residence includes additional property up to a total of five acres that comprises the residential parcel if this larger parcel size is required under land use regulations (RCW 84.36.383(13)).

## Question & Answer (Q&A) scenarios/examples

**Q:** I have a single-family home and land receiving the exemption under RCW 84.36.381. I also have a second home on the parcel that is not currently receiving the exemption. Does the second home also qualify for the exemption as a result of the new legislative changes? And if the second home qualifies for the exemption, how will this impact my frozen value?

**A:** Possibly. The definition of residence in RCW 84.36.383 states that a residence may include one accessory dwelling unit (ADU). If the second home meets the definition of an ADU, it could be included with the residence for purposes of the exemption. You will need to declare to the assessor that you have an ADU and want to include it in your exemption.

In most cases, a residence's value is frozen as of January 1 of the assessment year that you first qualified for the exemption. The value of an ADU will be added to the frozen value of the residence as of January 1 of the assessment year that the ADU first qualifies.

**Q:** I have multiple structures on my property, how will the assessor determine which structure is the ADU?

**A:** The application for exemption for tax year 2025 and beyond will include a section for the applicant to declare they have an ADU and to describe which structure it is. Only a structure on the same parcel as the primary residence that is currently receiving the exemption can be considered an ADU. Current participants in the exemption program can file a change of status form to declare their ADU for tax year 2025 and beyond.

**Q:** I own a property that has a primary residence and a cabin. I reside in the main home, and I am letting my granddaughter live in the cabin while attending college. She does not pay rent but does contribute to some of my household expenses such as groceries and utilities. Now that the cabin could qualify as an ADU and be included in the exemption program with the primary residence, how do I calculate my combined disposable income (CDI)?

**A:** CDI is the disposable income of the applicant, plus the disposable income of the applicant's spouse or domestic partner, and the disposable income of each cotenant occupying the residence. If your granddaughter is a cotenant (someone who has ownership in the residence and lives there), then her disposable income would be included. If she does not have ownership interest in the residence, then her disposable income would not be included. However, any contribution she makes to the household expenses (such as groceries, utilities, etc.) would be included in the CDI calculation.

**Q:** If I rent the ADU to others, will it qualify as part of the exemption?

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](https://dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](https://dor.wa.gov) or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

**A:** It depends. If you declare the ADU as part of your primary residence, renting any portion of your residence (the main home, or the ADU) could impact your eligibility for exemption. See below for explanations of qualifying and nonqualifying rentals.

If you declare an ADU (cabin, duplex unit, area above garage, etc.) as part of your primary residence in order to receive a property tax relief benefit, the number of occupants that reside in the residence can impact your eligibility to qualify.

- If a residence is used for any number of related people, the residence qualifies for property tax relief based on the definition of family dwelling unit (WAC 458-16A-100(17)).
- If a residence is used for nine or more related and unrelated people, the residence does not qualify for property tax relief based on the definition of family dwelling unit (WAC 458-16A-100(17)).

I have a small cabin on my property that I use as an Air BNB, for short-term rentals.

- Short-term or transient rental means rented/leased for a period of less than 30 days. If any portion of a residence is used regularly for short-term or transient rentals, no portion of the residence qualifies for the property tax relief programs.
- Regularly for the purpose of property tax relief programs is more than six months per year. To calculate time, either consecutive months used, or total days used are acceptable.
- Use refers to periods both where the property is actually occupied as a transient rental and when available for use as a transient rental.
- Therefore, if you are claiming the small cabin as an ADU in order to receive a property tax relief benefit, and the regular use limits are exceeded, the entire residence plus applicable land will not qualify.

I own a duplex. I occupy one unit as my primary residence and rent out the other unit long-term.

- Long-term or nontransient rental means rented/leased for periods of 30 days or more.
- If a residence is used for eight or less people in a single dwelling unit, the entire residence qualifies for property tax relief ([RCW 84.36.383\(13\)](#)) and ([WAC 458-16A-100\(17\)](#)).
- If a residence is used for eight or less people in a multi-unit dwelling unit, the second unit could qualify as an ADU and the entire residence qualifies for property tax relief.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](http://dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

The area above my garage has finished living quarters and I am letting my brother and his family stay there, rent free.

- If a residence is used for any number of related people, the residence qualifies for property tax relief based on the definition of family dwelling unit (WAC 458-16A-100(17)).
- If a residence is used for nine or more related and unrelated people, the residence does not qualify for property tax relief based on the definition of family dwelling unit (WAC 458-16A-100(17)).

**Important to note:** If any portion of the residence is rented to others (main residence or ADU), the rental income received will need to be included in the combined disposable income calculation.

## Questions?

If you have questions or need additional information, please contact the Department of Revenue, Property Tax Division at 360-534-1400.