Property Tax Exemption for Senior Citizens & Disabled Persons

By Peggy Davis, Exemption & Deferral Specialist

As the 2009 Legislative Session approaches, it is clear that taxpayers, county officials, and legislators will again focus on property tax relief for senior citizens and others that are struggling to pay property taxes. The Property Tax Exemption for Senior Citizens and Disabled Persons is the most widely used program for property tax relief and receives much of the attention when legislature comes into session. In 2008, approximately 114,000 households across the state had their property taxes reduced by more than $181,000,000 under the program. The program is administered at the local level by county assessors with the help of county treasurers. We felt it would be useful to review how the program works and some of the issues that are revisited each year.

Program Requirements and Benefits

For the eligible applicant, the Property Tax Exemption Program freezes the taxable value of the residence and reduces the amount of tax due by exempting the senior from all excess levies and, depending upon income level, a portion of regular levies. The exemption applies to the primary residence and the parcel of land where it is located (up to one acre, or, up to five acres if the larger parcel size is required by local land use regulations). To be eligible for this program, the applicant must meet the age or disability, ownership, residency, and income requirements.

- Must be 61 years of age by December 31 of the application year or unable to work because of a disability or a veteran with a 100 percent service connected disability
- Must own and occupy the residence
- Must have combined disposable income of $35,000 or less

$0 - $25,000	Exempt from regular property taxes on $60,000 or 60% of value, whichever is greater; plus exemption from 100% of excess levies
$25,001 - $30,000	Exempt from regular property taxes on $50,000 or 35% of value, whichever is greater, but not to exceed $70,000; plus exemption from 100% of excess levies
$30,001 - $35,000	Exempt from 100% of excess levies

"Disposable Income" is the key

When the Legislature enacted RCW 84.36.379 in 1980, the intent section declared that the property tax exemption authorized in our State Constitution should be available on the basis of a retired person's ability to pay property tax and that a person's disposable income is the best measure of that ability. For purposes of the property tax exemption, the Legislature gave "disposable income" a specific definition. This measure of income is often misunderstood by taxpayers who believe it to be a Department policy, rather than the law.

RCW 84.36.383(5) defines "disposable income" as adjusted gross income, as defined in the federal internal revenue code, plus all of the following items to the extent they were included in or excluded from adjusted gross income:

(a) Capital gains, other than gain excluded from income under section 121 of the federal internal revenue code to the extent it is reinvested in a new principal residence;
(b) Amounts deducted for loss;
(c) Amounts deducted for depreciation;
(d) Pension and annuity receipts;
(e) Military pay and benefits other than attendant-care and medical-aid payments;
(f) Veterans benefits other than: (i) attendant-care payments; (ii) medical-aid payments; disability compensation, as defined in Title 38, part 3, section 3.4 of the code of federal regulations, as of January 1, 2008; and (iv) dependency and indemnity compensation, as defined in Title 38, part 3, section 3.5 of the code of federal regulations, as of January 1, 2008
(g) Federal social security act and railroad retirement benefits;
(h) Dividend receipts; and
(i) Interest received on state and municipal bonds.

"Disposable Income" as defined above is also used in determining eligibility for the Senior Citizen Deferral Program, the Limited Income Deferral Program and the Grants for Widows/Widowers of Disabled Veterans.

"Combined Disposable Income" for the household

RCW 84.36.383(4) defines "combined disposable income" as the disposable income of the applicant, plus the disposable income of the applicant's

(Continued on page 10)

Property Tax Exemption for Senior Citizens & Disabled Persons (cont.)

(Continued from page 9)

spouse or domestic partner, and the disposable income of each cotenant, less amounts paid by the applicant and his or her spouse/domestic partner during the assessment year for:

(a) Drugs supplied by prescription of a medical practitioner authorized by the laws of this state or another jurisdiction to issue prescriptions;
(b) The treatment or care of either person received in the home or in a nursing home, boarding home, or adult family home; and
(c) Health care insurance premiums for Medicare under Title XVIII of the social security act.

Taxpayer Concerns

The most common objections or criticism voiced by taxpayers are:

- The disposable income calculation does not allow a deduction for supplemental health insurance premiums (only for Medicare), long-term care insurance premiums, and necessary medical expenses
- The disposable income limit should be increased
- Disposable income should not include pensions, annuities, investment losses and other items that are not considered taxable by the IRS.
- Seniors should receive frozen value benefit and/or exemption regardless of income

Legislation

In each of the recent past Legislative Sessions, bills affecting the income requirement and/or the program benefits were introduced in both the House and Senate.

In 2008, there were 38 bills introduced. Of those,

- 9 bills affected the income thresholds and/or benefit levels
- 5 bills affected the disposable income calculation (all were related to exclusion of veterans' disability benefits)
- 8 bills added an additional tier to allow frozen value benefit only (ranging from threshold of $50,000 to unlimited)
- 6 bills affected allowable deductions (ranging from allowance of supplemental health insurance premiums to allowance of all medical costs allowed under IRS rules)
- 3 bill extending spousal benefits to domestic partners
- 1 bill changing the definition of "residence" to include mobile home lots not owned by the applicant
- 1 joint resolution amending Article VII, Section 10, to provide legislative authority to grant property tax relief based solely on age
- 5 bills affecting miscellaneous administrative provisions (including changes in lien recording requirements, refunds, and renewals)

Only two bills were passed and signed into law:

- SSB 5256 - changing the calculation of disposable income to exclude income from veterans' disability benefits and survivors' dependency and indemnity compensation.
- 2SHB 3104 - extending spousal benefits to domestic partners.

Changes in Recent Years

Other legislative changes in recent years include:

- **2003 -** SB 5758 – Amended RCW 84.36.387 to change reference making filings under the penalty of perjury. The law now references ch 9A.72 RCW for perjury offenses.
- **2004** - SB 5034 - Amended RCW 84.36.381, 84.36.383, and 84.38.030 - Changed income limits for Exemption ($35,000) and Deferral Programs ($40,000). Revised combined disposable income calculation to include deductions for insurance premiums under Medicare Title XVIII and costs associated with care received in a boarding home or adult family home. Linked definition of "disability" to SSA definition.
- **2005** - HB 1019 - Amends RCW 84.36.379 and 84.36.383 to allow an exemption for veterans who have a 100% disability that is service connected.
- **2006** - SB 6338 – Amended RCW 84.36.383, 84.38.020, and 84.38.030 and to allow exemption on more than one acre, up to five acres, if the larger parcel size is required by land use regulations.

If you need additional information about the Senior Exemption or the complimentary programs, please contact Peggy Davis at PeggyD@dor.wa.gov. If you have questions about the legislative process, please contact Mike Braaten at MichaelB@dor.wa.gov.♦

Property Tax Special Notices

By Harold Smith, Exemption & Deferral Program Manager

Property Tax Special Notices are generally sent to assessors, treasurers, and those stakeholders that we can identify with a specific interest in the particular topic. Prior to being issued, each Special Notice will go through an internal review process. Special Notices are posted on the Department's website at www.dor.wa.gov under Property Tax Publications. You may also receive a copy of a Special Notice by adding your name to the ListServ. This can be done by going to www.dor.wa.gov, clicking "Find Taxes and Rates," then clicking "Property Tax," and one more click to "Join E-mail Service." A notice will usually provide a contact for more information on the topic.

July 15, 2008
Taxing District Levy Certification
Discusses how a taxing district must certify their property tax levy request to the County Assessor.
http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_LevyCert.pdf

August 27, 2008
2008 Legislation Updates – Levy Lid Lift, Establishing Taxing Districts Boundaries, Beach Management Districts & Binding Site Plans
Discusses the implementation of several legislative measures passed in the 2008 legislative session related to property tax districts and their levies, including ESB 6641, ESB 6663, SB 6950, E2SHB 3186 & HB 1149.
http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_PropLegUpdate.pdf

September 15, 2008
Building Permits in Relation to Adding Value of New Construction
Discusses whether an Assessor can put new construction on the tax rolls when a building permit has not been issued by the city/county.
http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_BuildingPermits.pdf

September 29, 2008 NEW!
Adding New Value to the Assessment Rolls
Clarifies how to deal with subdivisions and mergers of property relative to "new construction" and how "improvements" are used in the levy process. It has examples for both multi-year cycle counties and annual revaluation counties.
http://dor.wa.gov/Docs/Pubs/SpecialNotices/2008/sn_08_Assessment.pdf♦

Join Our Property Tax Special Notice Distribution List . . .

To be notified when a new Property Tax Special Notice is issued, simply visit the link below and join our e-mail distribution list. While you're there, check out the other distribution lists available from the Department of Revenue. You might find other topics of interest.♦

https://fortress.wa.gov/dor/efile/SecureForms/content/contactus/email/listservemail.aspx

A Letter From the Editor . . .

Dear Readers:

Often, the best ideas for articles in the **Property Tax Newsletter** come from our readers. We also know that there is a world of experience and expertise amongst property tax professionals outside of the Washington State Department of Revenue's Property Tax Division. We are considering creating a regular guest column or, perhaps, a "letter to the editor" section in future editions. If you have ideas for this new feature or might be willing to contribute, please contact us at harolds@dor.wa.gov.

Thanks,

Harold

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Property Tax Ratios by County

2008 Ratios for 2009 Taxes

County	Real Property 2008	Personal Property 2008	Indicated Combined Ratio 2008
Adams	94.3	91.7	94.0
Asotin	79.9	80.9	79.9
Benton	90.7	92.9	90.8
Chelan	70.9	94.2	71.4
Clallam	82.1	97.6	82.5
Clark	92.8	90.8	92.7
Columbia	89.2	93.2	90.8
Cowlitz	83.7	99.9	84.7
Douglas	92.5	94.8	92.6
Ferry	89.0	93.7	89.3
Franklin	88.2	89.5	88.3
Garfield	95.7	91.5	95.3
Grant	85.6	94.7	86.3
Grays Harbor	81.7	98.9	82.6
Island	94.5	93.5	94.5
Jefferson	89.8	99.3	90.0
King	89.3	98.2	89.7
Kitsap	86.0	96.9	86.2
Kittitas	85.9	96.0	86.5
Klickitat	85.1	100.0	88.2
Lewis	85.3	95.3	86.4
Lincoln	87.5	96.7	88.4
Mason	84.1	90.3	84.2
Okanogan	78.3	95.3	78.8
Pacific	72.9	88.2	73.2
Pend Oreille	70.9	78.6	71.2
Pierce	86.1	94.4	86.4
San Juan	86.7	92.9	86.8
Skagit	88.5	100.0	89.2
Skamania	83.6	88.6	84.0
Snohomish	91.2	98.2	91.5
Spokane	92.5	88.7	92.3
Stevens	78.1	82.6	78.4
Thurston	90.6	96.9	90.8
Wahkiakum	88.9	94.5	89.1
Walla Walla	91.0	93.2	91.2
Whatcom	78.3	94.7	78.9
Whitman	87.1	79.5	86.3
Yakima	90.7	89.3	90.6
STATEWIDE			**88.7**