

July 29, 2019

Legislative Update – Engrossed Substitute Senate Bill 5160 Concerning Property Tax Relief Programs.

The 2019 Legislature passed Engrossed Substitute Senate Bill 5160 ([ESSB 5160](#)) amending the eligibility requirements for the Property Tax Exemption Program (Exemption Program) and Deferral Program for low-income senior citizens, individuals with disabilities, and veterans. The legislation is effective July 28, 2019, and applies to property taxes levied for collection in 2020.

What the bill does

This bill amends RCW's [84.36.381](#), [84.36.383](#), [84.36.385](#), [84.38.020](#), [84.38.030](#), [84.38.070](#), [84.38.130](#), [84.38.150](#). Below describe the notable changes.

Income requirements

Beginning with taxes levied for collection in 2020 (applications due in 2019), this bill:

- Revises the income thresholds necessary to qualify for the Exemption Program (RCW 84.36.383), as follows:
 - Income threshold 1 is the greater of \$30,000, or 45 percent of the median household income of the county where the residence is located.
 - Income threshold 2 is the greater of \$35,000, or 55 percent of the median household income of the county where the residence is located.
 - Income threshold 3 is the greater of \$40,000, or 65 percent of the median household income of the county where the residence is located.
- Revises the income threshold necessary to qualify for the Deferral Program (RCW 84.38.020) to be the greater of \$45,000 or 75 percent of the median household income of the county where the residence is located.
- Requires the Department of Revenue (Department) to update the income thresholds for both programs beginning August 1, 2019, and by March 1 every fifth year after. (Note: income thresholds can never be less than the previous year.)
- For both programs, beginning with the adjustment made by March 1, 2024, and then every second adjustment after:
 - If the income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must be adjusted based on the growth of the consumer price index for all urban consumers for the prior 12-month period (as published by the US Bureau of Labor Statistics).
 - In no case may the adjustment be greater than one percent, and if the income threshold adjustment is negative, the income threshold for the prior year continues to apply.

The new income thresholds for tax years 2020 through 2024 for each county are available at: dor.wa.gov/incomethresholds.

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However, for tax years 2019 and prior, the income thresholds remain as follows:

Income Threshold 1	Income Threshold 2	Income Threshold 3	Deferral Threshold
\$30,000	\$35,000	\$40,000	\$45,000

Veterans' disability qualification status

Expands RCW 84.36.381 to allow disabled veterans to qualify for the exemption program as follows:

- A disabled veteran with a service-connected disability evaluation of 80 percent or higher; or
- A disabled veteran compensated at the 100 percent rate because they are unemployable due to their service-connected disability regardless of evaluation rating.

Unoccupied residence for long-term care

Revises RCW 84.36.381 to allow an exemption to continue when a recipient does not occupy their primary residence, as follows:

- In addition to confinement to a hospital, nursing home, assisted living facility, or adult family home, the bill allows an exemption to continue for the recipient if confined to the home of a "relative" for the purpose of long-term care.
- "Relative" is defined as any individual related to the claimant by blood, marriage, or adoption.

Filing electronic applications

Amends RCW 84.36.385 to provide options for the electronic filing of exemption applications or renewals as described below:

The Department must also authorize counties the option of providing an electronic means to file exemption applications and renewals electronically.

Principal place of residence requirement

Provides a definition in RCW 84.36.383 of a "principal place of residence" for both the Exemption and Deferral Programs, requiring the residence to be occupied for more than nine months each calendar year by the person claiming an exemption or deferral.

Continuation of Deferral Program upon death

Revises RCW 84.38.030 to allow an "heir" or "devisee" to continue with an existing property tax deferral lien upon the death of a participant in the deferral program, if the heir or devisee is age 57, or older, or disabled and otherwise meets the program requirements.

New Definitions

Added definitions to the Exemption Program in RCW 84.36.383 are as follows:

- "County median household income" means the median household income estimates for the state of Washington by county of the legal address of the principal place of residence, as published by the Office of Financial Management.
- "Income threshold 1" means:
 - For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to \$30,000; and
 - For taxes levied for collection in calendar year 2020, and after, a combined disposable income equal to the greater of "income threshold 1" for the previous year or 45 percent of the county median household income, adjusted every five years beginning August 1, 2019, as provided in RCW 84.36.385(8).

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- "Income threshold 2" means:
 - For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to \$35,000; and
 - For taxes levied for collection in calendar year 2020, and after, a combined disposable income equal to the greater of "income threshold 2" for the previous year or 55 percent of the county median household income, adjusted every five years beginning August 1, 2019, as provided in RCW 84.36.385(8).
- "Income threshold 3" means:
 - For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to \$40,000; and
 - For taxes levied for collection in calendar year 2020, and after, a combined disposable income equal to the greater of "income threshold 3" for the previous year or 65 percent of the county median household income, adjusted every five years beginning August 1, 2019, as provided in RCW 84.36.385(8).
- "Principal place of residence" means a residence occupied for more than nine months each calendar year by a person claiming an exemption under RCW 84.36.381.

Added definitions to the Deferral Program in RCW 84.38.020 are as follows:

- "Devisee" has the same meaning as provided in RCW 21.35.005
- "Heir" has the same meaning as provided in RCW 21.35.005
- "Income threshold" means:
 - For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to forty-five thousand dollars; and
 - For taxes levied for collection in calendar year 2020, and after, a combined disposable income equal to the greater of the income threshold for the previous year, or 75 percent of the county median household income, adjusted every five years beginning August 1, 2019, as provided in RCW 84.36.385(8).

Questions and Answers

Q: Does ESSB 5160 change the age qualifications for either the exemption or deferral program?

A: No. The age qualifications for both programs remain the same. See below:

- For the Exemption Program an applicant must be at least 61 years of age; or disabled and unable to pursue gainful employment, or a disabled veteran.
- For the Deferral Program an applicant must be at least 60 years of age; or disabled and unable to pursue gainful employment.

Q: Does the application process change because of ESSB 5160?

A: No. The exemption and deferral programs continue to be administered by your county assessor's office. You will need to contact your county assessor's office to request an application. If you have questions about required documents, or processing procedures and timelines, you will also need to contact your assessor. See the Department's website for [a list of county assessor contacts](#).

Q: Can I still apply for a property tax exemption for years prior to 2020?

A: Yes. You can submit an exemption application for previous years you qualified for the program. However, you must submit a separate application for each year you qualified, and the income thresholds for tax years prior to the ESSB 5160 must be met.

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Q: How do I know if I'm an heir or devisee?

A: If you are designated in a Last Will and Testament to inherit real property, you are a "devisee." If you are entitled under the laws of intestate succession (RCW 11.04.015) to receive real property of the person who died, you are an "heir."

Q: What if my income level changes, or if I do not occupy my residence for more than nine months because I lived out of state part of the year, am I required to submit another application?

A: Yes. If you have had a change in status-change in income, change in number of months living in residence, or moved out of residence, you are required to file a Change in Status form with your county assessor's office.

Q: Will I still qualify for my exemption if I occupy my home for only eight months during the year because I regularly live out of state from November 1 through March 1 each year?

A: No. Under ESSB 5160, the "principle place of residence" for a person claiming an exemption must be occupied for more than nine months each calendar year. For instance, if you are applying for an exemption or deferral for taxes due in 2020, you must have occupied your home as your principal place of residence for more than nine months in calendar year 2019.

Q: Did ESSB 5160 make any changes to the current allowable deductions when calculating combined disposable income?

A: No. There were no added provisions to existing allowable deductions.

Questions: If you have questions or need additional information, please contact the Department of Revenue, Property Tax Division (360) 534-1400 or MyDeferral@dor.wa.gov.