



EXPEDITED RULE MAKING

CR-105 (December 2017) (Implements RCW 34.05.353)

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DATE: November 20, 2019

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WSR 19-23-093

Agency: Department of Revenue

Title of rule and other identifying information: (describe subject) WAC 458-16A-100 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Definitions; WAC 458-16A-110 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Gross income; WAC 458-16A-115 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Adjusted gross income; WAC 458-16A-120 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Determining combined disposable income; WAC 458-16A-130 Senior citizen, disabled person, and disabled veteran exemption-Qualifications for exemption; WAC 458-16A-135 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Application procedures; WAC 458-16A-150 Senior citizen, disabled person, and one hundred percent disabled veteran exemption-Requirements for keeping the exemption.

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The department is amending WACs 458-16A-100, 458-16A-110, 458-16A-115, 458-16A-120, 458-16A-130, 458-16A-135, and 458-16A-150 to incorporate 2019 legislation, Engrossed Substitute Senate Bill 5160, Sections (1), (2), and (3). This legislation amended the qualification requirements for the property tax exemption under chapter 84.36 RCW for senior citizens, disabled persons, and disabled veterans.

Reasons supporting proposal: These rules are being updated to incorporate changes resulting from 2019 legislation, Engrossed Substitute Senate Bill 5160, Sections (1), (2), and (3). Providing updated exemption qualification information to applicants will assist the applicant in understanding exemption program requirements and will also assist county assessors when processing exemption applications.

Statutory authority for adoption: RCW 84.36.865

Statute being implemented: RCW 84.36.381; 84.36.383; 84.36.385.

Is rule necessary because of a:

- Federal Law? Yes No
- Federal Court Decision? Yes No
- State Court Decision? Yes No

If yes, CITATION:

Name of proponent: (person or organization) Department of Revenue

- Private
- Public
- Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
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Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: None

Expedited Adoption - Which of the following criteria was used by the agency to file this notice:

- Relates only to internal governmental operations that are not subject to violation by a person;
- Adopts or incorporates by reference without material change federal statutes or regulations, Washington state statutes, rules of other Washington state agencies, shoreline master programs other than those programs governing shorelines of statewide significance, or, as referenced by Washington state law, national consensus codes that generally establish industry standards, if the material adopted or incorporated regulates the same subject matter and conduct as the adopting or incorporating rule;
- Corrects typographical errors, make address or name changes, or clarify language of a rule without changing its effect;
- Content is explicitly and specifically dictated by statute;
- Have been the subject of negotiated rule making, pilot rule making, or some other process that involved substantial participation by interested parties before the development of the proposed rule; or
- Is being amended after a review under RCW 34.05.328.

Expedited Repeal - Which of the following criteria was used by the agency to file notice:

- The statute on which the rule is based has been repealed and has not been replaced by another statute providing statutory authority for the rule;
- The statute on which the rule is based has been declared unconstitutional by a court with jurisdiction, there is a final judgment, and no statute has been enacted to replace the unconstitutional statute;
- The rule is no longer necessary because of changed circumstances; or
- Other rules of the agency or of another agency govern the same activity as the rule, making the rule redundant.

Explanation of the reason the agency believes the expedited rule-making process is appropriate pursuant to RCW 34.05.353(4): The expedited rule-making process is applicable to these rule updates because the Department is incorporating changes resulting from 2019 legislation.

NOTICE

THIS RULE IS BEING PROPOSED UNDER AN EXPEDITED RULE-MAKING PROCESS THAT WILL ELIMINATE THE NEED FOR THE AGENCY TO HOLD PUBLIC HEARINGS, PREPARE A SMALL BUSINESS ECONOMIC IMPACT STATEMENT, OR PROVIDE RESPONSES TO THE CRITERIA FOR A SIGNIFICANT LEGISLATIVE RULE. IF YOU OBJECT TO THIS USE OF THE EXPEDITED RULE-MAKING PROCESS, YOU MUST EXPRESS YOUR OBJECTIONS IN WRITING AND THEY MUST BE SENT TO

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AND RECEIVED BY (date) January 21, 2020

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AMENDATORY SECTION (Amending WSR 18-04-007, filed 1/25/18, effective 2/25/18)

WAC 458-16A-100 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Definitions. (1) **Introduction.** This rule contains definitions of the terms used for the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran property tax exemption ~~((from property taxes. The definitions apply to the senior citizen, disabled person, and one hundred percent disabled veteran exemption contained in sections RCW 84.36.381 through 84.36.389 unless the context clearly requires otherwise))~~ described in RCW 84.36.381 through 84.36.389.

(2) **Annuity.** "Annuity" means a series of long-term periodic payments, under a contract or agreement. It does not include payments for the care of dependent children. For purposes of this subsection, "long-term" means a period of more than one full year from the annuity starting date.

Annuity distributions must be included in "disposable income," as that term is defined in subsection ~~((12))~~ (13) of this ~~((section))~~ rule, regardless of whether ~~((or not they))~~ the distributions are taxable under federal law. A one-time, lump sum, total distribution is not an "annuity" for purposes of this ~~((section))~~ rule, and only the taxable portion that would be included in federal adjusted gross income should be included in disposable income.

(3) **Assessment year.** "Assessment year" means the year ~~((when))~~ the assessor lists and values the principal residence for property taxes. The assessment year is the calendar year prior to the year the taxes ~~((become))~~ are due and payable. ~~((It is always))~~ The assessment year is the year before the claimant receives ~~((a))~~ the reduction in ~~((his or her))~~ their property taxes because of the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption.

(4) **Capital gain.** "Capital gain" means the amount the seller receives for property, ~~((+))~~ other than inventory ~~((+))~~, over that seller's adjusted basis in the property. The seller's initial basis in the property is the property's cost plus taxes, freight charges, and installation fees. In determining the capital gain, the seller's costs of transferring the property to a new owner are also added onto the adjusted basis of the property. If the property is acquired in some other manner than by purchase, the seller's initial basis in the property is determined by the way the seller received the property (e.g., property exchange, payment for services, gift, or inheritance). The seller ~~((adjusts +))~~ increases and decreases ~~((+))~~ the initial basis of the property for events occurring between the time the property is acquired and when it is sold (e.g., increased by the cost of improvements made later to the property).

(5) **Claimant.** "Claimant" means a person claiming the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption by filing an application with the ~~((county))~~ assessor in the county where the property is located.

(6) **Combined disposable income.** "Combined disposable income" means the annual disposable income of the claimant, the claimant's spouse or domestic partner, and any cotenant occupying the residence for the assessment year, reduced by amounts paid by the claimant or the claimant's spouse or domestic partner for their:

- (a) Legally prescribed drugs;
- (b) Home health care;
- (c) Nursing home, boarding home, assisted living facility, or adult family home expenses; and
- (d) Health care insurance premiums for medicare under Title XVIII of the Social Security Act.

Disposable income is not reduced by these amounts if payments are reimbursed by insurance or a government program (e.g., medicare or medicaid). When the application is made, the combined disposable income is calculated for the assessment year.

(7) **Cotenant.** "Cotenant" means a person who resides with the claimant and who has an ownership interest in the residence.

(8) **County median household income.** "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.

(9) **Department.** "Department" means the state department of revenue.

~~((9))~~ (10) **Depreciation.** "Depreciation" means the annual deduction allowed to recover the cost of business or investment property having a useful life of more than one year. In limited circumstances, this cost, or a part of this cost, may be taken as a section 179 expense on the federal income tax return in the year business property is purchased.

~~((10))~~ (11) **Disability.** "Disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. ~~((+))~~ RCW 84.36.383 ~~((+))~~; 42 U.S.C. Sec. 423 (d) (1) (A). ~~((+))~~

~~((11))~~ (12) **Disabled veteran.** "Disabled veteran" means a veteran of the armed forces of the United States entitled to and receiving compensation from the United States Department of Veterans Affairs (VA) at:

- (a) A combined service-connected evaluation rating of eighty percent or higher; or
- (b) A total disability rating for a service-connected disability without regard to evaluation percent. ~~((RCW 84.36.381 (3).))~~

~~((12))~~ (13) **Disposable income.** "Disposable income" means the adjusted gross income as defined in the Federal Internal Revenue Code of 2001, and as amended after that date, plus all the other items described below to the extent they are not included in or have been deducted from adjusted gross income ~~((RCW 84.36.383.))~~:

- (a) Capital gains, other than gain excluded from the sale of a principal residence that is reinvested prior to the sale or within the same calendar year in a different principal residence;
- (b) ~~((Losses.))~~ Amounts deducted for loss;
- (c) ~~((Depreciation.))~~ Amounts deducted for depreciation;
- (d) Pension and annuity receipts;
- (e) Military pay and benefits other than attendant-care and medical-aid payments. Attendant-care and medical-aid payments are any payments for medical care, home health care, health insurance coverage, hospital benefits, or nursing home benefits provided by the military;
- (f) Veterans benefits other than:
- (i) Attendant-care payments and medical-aid payments, defined as any payments for medical care, home health care, health insurance cov-

erage, hospital benefits, or nursing home benefits provided by the
(~~(Department of Veterans Affairs (-))~~)VA(~~(+)~~);

(ii) Disability compensation, defined as payments made by the VA to a veteran because of a service-connected disability; and

(iii) Dependency and indemnity compensation, defined as payments made by the VA to a surviving spouse, child, or parent because of a service-connected death(~~(-)~~);

(g) Federal Social Security Act and railroad retirement benefits;

(h) Dividend receipts; and

(i) Interest received on state and municipal bonds.

(~~((13))~~) **(14) Domestic partner.** "Domestic partner" means a person registered under chapter 26.60 RCW or a partner in a legal union of two persons, other than a marriage, that was validly formed in another jurisdiction, and that is substantially equivalent to a domestic partnership under chapter 26.60 RCW.

(~~((14))~~) **(15) Domestic partnership.** "Domestic partnership" means a partnership registered under chapter 26.60 RCW or a legal union of two persons, other than a marriage, that was validly formed in another jurisdiction, and that is substantially equivalent to a domestic partnership under chapter 26.60 RCW.

(~~((15))~~) **(16) Excess levies.** "Excess levies" has the same meaning as provided in WAC 458-19-005 for "excess property tax levy."

(~~((16))~~) **(17) Excluded military pay or benefits.** "Excluded military pay or benefits" means military pay or benefits excluded from a person's federal gross income, other than those amounts excluded from that person's federal gross income for attendant-care and medical-aid payments. Members of the armed forces receive many different types of pay and allowances. Some payments or allowances are included in their gross income for (~~(the)~~) federal income tax purposes while others are excluded (~~(from their gross income)~~). Excluded military pay or benefits include:

(a) Compensation for active service while in a combat zone or a qualified hazardous duty area;

(b) Death allowances for burial services, gratuity payment to a survivor, or travel of dependents to the burial site;

(c) Moving allowances;

(d) Travel allowances;

(e) Uniform allowances;

(f) Group term life insurance payments made by the military on behalf of the claimant, the claimant's spouse or domestic partner, or the cotenant; and

(g) Survivor and retirement protection plan premiums paid by the military on behalf of the claimant, the claimant's spouse or domestic partner, or the cotenant.

(~~((17))~~) **(18) Family dwelling unit.** "Family dwelling unit" means the dwelling unit occupied by a single person, any number of related persons, or a group not exceeding a total of eight related and unrelated nontransient persons living as a single noncommercial housekeeping unit. The term does not include a boarding or rooming house.

(~~((18))~~) **(19) Home health care.** "Home health care" means the treatment or care of either the claimant or the claimant's spouse or domestic partner received in the home. It must be similar to the type of care provided in the normal course of treatment or care in a nursing home, although the person providing the home health care services need not be specially licensed. The treatment and care must meet at least one of the following criteria. It must be for:

(a) Medical treatment or care received in the home;

(b) Physical therapy received in the home;

(c) Food, oxygen, lawful substances taken internally or applied externally, necessary medical supplies, or special needs furniture or equipment (such as wheel chairs, hospital beds, or therapy equipment), brought into the home as part of a necessary or appropriate in-home service that is being rendered (such as a meals on wheels type program); or

(d) Attendant care to assist the claimant, or the claimant's spouse or domestic partner, with household tasks, and such personal care tasks as meal preparation, eating, dressing, personal hygiene, specialized body care, transfer, positioning, ambulation, bathing, toileting, self-medication a person provides for himself or herself, or such other tasks as may be necessary to maintain a person in (~~his or her~~) their own home, but (~~shall~~) does not include improvements or repair of the home itself.

~~((19))~~ (20) **Income threshold 1.** "Income threshold 1" means:

(a) For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to thirty thousand dollars; and

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

(21) **Income threshold 2.** "Income threshold 2" means:

(a) For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to thirty-five thousand dollars; and

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

(22) **Income threshold 3.** "Income threshold 3" means:

(a) For taxes levied for collection in calendar years prior to 2020, a combined disposable income equal to forty thousand dollars; and

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

(23) **Lease for life.** "Lease for life" means a lease that terminates upon the (~~demise~~) death of the lessee.

~~((20))~~ (24) **Legally prescribed drugs.** "Legally prescribed drugs" means drugs supplied by prescription of a medical practitioner authorized to issue prescriptions by the laws of this state or another jurisdiction.

~~((21))~~ (25) **Life estate.** "Life estate" means an estate whose duration is limited to the life of the party holding it or of some other person.

(a) Reservation of a life estate upon a principal residence placed in trust or transferred to another is a life estate.

(b) Beneficial interest in a trust is considered a life estate for the settlor of a revocable or irrevocable trust who grants to (~~himself or herself~~) themselves the beneficial interest directly in (~~his or her~~) their principal residence, or the part of the trust

containing ~~((his or her))~~ their personal residence, for at least the period of ~~((his or her))~~ their life.

(c) Beneficial interest in an irrevocable trust is considered a life estate, or a lease for life, for the beneficiary who is granted the beneficial interest representing ~~((his or her))~~ their principal residence held in an irrevocable trust, if the beneficial interest is granted under the trust instrument for a period that is not less than the beneficiary's life.

~~((+22+))~~ (26) Owned. "Owned" includes "contract purchase" as well as "in fee," a "life estate," and any "lease for life." A residence owned by a marital community or domestic partnership or owned by cotenants is deemed to be owned by each spouse or each domestic partner or each cotenant.

~~((+23+))~~ (27) Ownership by a marital community or domestic partnership. "Ownership by a marital community or domestic partnership" means property owned in common by both spouses or domestic partners. Property held in separate ownership by one spouse or domestic partner is not owned by the marital community or domestic partnership. The person claiming the exemption must own the property for which the exemption is claimed. ~~((Example:))~~ For example, a person qualifying for the exemption by virtue of age, disability, or ~~((one hundred percent))~~ disabled veteran status ~~((cannot))~~ may not claim this exemption on a residence owned by the person's spouse or domestic partner as a separate estate outside the marital community or domestic partnership unless the claimant has a life estate ~~((therein-
+24+))~~ in that separate estate.

(28) Pension. "Pension" generally means an arrangement providing for payments, not wages, to a person ~~((+))~~ or to that person's family ~~((+))~~, who has fulfilled certain conditions of service or reached a certain age. Pension distributions may be triggered by separation from service, attainment of a specific age, disability, death, or other events. A pension may allow payment of all or a part of the entire pension benefit, in lieu of regular periodic payments.

~~((+25+))~~ (29) Principal residence. "Principal residence" means the claimant owns and occupies the residence as ~~((his or her))~~ their principal or main residence. It does not include a residence used merely as a vacation home. For purposes of this exemption:

(a) Principal or main residence means the claimant occupies the residence for more than ~~((six*))~~ nine months each calendar year.

(b) Confinement of the claimant to a hospital ~~((or))~~, nursing home, assisted living facility, adult family home, or home of a relative for the purpose of long-term care, does not disqualify the claim for exemption if:

(i) The residence is temporarily unoccupied;

(ii) The residence is occupied by the claimant's spouse or domestic partner or a person financially dependent on the claimant for support;

(iii) The residence is occupied by a caretaker who is not paid for watching the house;

(iv) The residence is rented for the purpose of paying nursing home, hospital, boarding home, or adult family home costs.

~~((+26+))~~ (c) For purposes of this subsection, "relative" means any individual related to the claimant by blood, marriage, or adoption.

(30) Regular gainful employment. "Regular gainful employment" means consistent or habitual labor or service which results in an increase in wealth or earnings.

~~((27))~~ **(31) Regular property tax levies.** "Regular property tax levies" has the same meaning as provided in WAC 458-19-005 for "regular property tax levy."

~~((28))~~ **(32) Replacement residence.** "Replacement residence" means a residence that qualifies for the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption and replaces the prior residence of the person receiving the exemption.

~~((29))~~ **(33) Residence.** "Residence" means a single-family dwelling unit whether ~~((such))~~ the unit ~~((be))~~ is separate or part of a multiunit dwelling and includes up to one acre of the parcel of land on which the dwelling stands ~~((, and it))~~. A residence also includes any additional property up to a total of five acres that comprises the residential parcel if land use regulations require this larger parcel size. The term also includes:

(a) A share ownership in a cooperative housing association, corporation, or partnership if the person claiming exemption can establish that his or her share represents the specific unit or portion of ~~((such))~~ the structure in which ~~((he or she))~~ they reside ~~((s))~~.

(b) A single-family dwelling situated ~~((upon))~~ on leased lands and ~~((upon))~~ on lands the fee of which is vested in the United States, any instrumentality thereof including an Indian tribe, the state of Washington, or its political subdivisions.

(c) A mobile home which has substantially lost its identity as a mobile unit by being fixed in location ~~((upon))~~ on land owned or rented by the owner of ~~((said))~~ the mobile home and placed on a foundation, posts, or blocks with fixed pipe connections for sewer, water or other utilities even though it may be listed and assessed by the county assessor as personal property. It includes up to one acre of the parcel of land on which ~~((a))~~ the mobile home is located if both the land and mobile home are owned by the same qualified claimant ~~((and it))~~. It also includes any additional property up to a total of five acres that comprises the residential parcel if land use regulations require this larger parcel size.

~~((30))~~ **(34) Veteran.** "Veteran" means a veteran of the armed forces of the United States.

~~((31))~~ **(35) Veterans benefits.** "Veterans benefits" means benefits paid or provided under any law, regulation, or administrative practice administered by the VA. Federal law excludes from gross income any veterans' benefits payments, paid under any law, regulation, or administrative practice administered by the VA.

AMENDATORY SECTION (Amending WSR 08-16-078, filed 7/31/08, effective 8/31/08)

WAC 458-16A-110 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Gross income. (1) **Introduction.** This rule explains the definition of gross income used for federal income tax purposes and provides guidance to assessors on how to calculate and verify gross income. ~~((In order))~~ To meet the income requirements for the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption ~~((program))~~, the claimant must provide supporting documents verifying combined disposable income as defined in WAC 458-16A-100. The gross income for federal income tax

purposes of the claimant, the claimant's spouse or domestic partner, and any cotenants represents a part of the claimant's combined disposable income.

Examples. This rule includes examples that identify a set of facts and then state a conclusion. These examples should only be used as a general guide.

(a) Federal income tax return. In most cases, the claimant presents copies of federal income tax returns to demonstrate both gross income and adjusted gross income amount(s) for the claimant, the claimant's spouse or domestic partner, and any cotenants. The assessor then determines, and may request verification of, the disposable income for each person based ~~((upon))~~ on that person's federal income tax return and the other information supplied by the claimant.

(b) No federal income tax return. ~~((When))~~ If the claimant does not present federal income tax returns, the assessor must determine what constitutes gross income ~~((for the nonfiler))~~ and obtain copies of income documents to determine ~~((that person's))~~, and possibly verify, the claimant, the claimant's spouse or domestic partner, and any cotenant's gross income. ~~((This rule provides the assessor with some guidance in determining the gross income for a nonfiler.~~

~~((c) **Verifying the gross income amount.** In some cases, the assessor may choose to verify income amount(s). The rule provides the assessor some guidance in verifying all or part of the gross income for the claimant, the claimant's spouse or domestic partner, or any of the cotenants.))~~

(2) **Gross income determined.** Internal Revenue Code section 61 defines "gross income," generally, as all income from whatever source derived. WAC 458-16A-135 lists the documentation used by the assessor to determine the gross income of the claimant.

(3) **Exclusions from the federal definition of gross income.** A claimant may provide documentation or information about amounts received during the year that are excluded from gross income. These amounts should not be taken into account when determining gross income. The federal definition of gross income, generally, does not include:

(a) Gifts, inheritance amounts, or life insurance proceeds;

(b) Up to two hundred fifty thousand dollars (five hundred thousand dollars for a married couple) gain from the sale of a principal residence that meets the requirements of Internal Revenue Code section 121 ~~((, see also WAC 458-16A-100 (definition of disposable income)))~~;

(c) Amounts received for illness or injury ~~((when received))~~ from workmen's compensation, a legal settlement, a legal judgment, a Medicare+Choice MSA, a federal employer under the federal Employees Compensation Act, accident insurance, or health insurance. If the amount received is from an employer directly for illness or injury or from employer-provided accident or health insurance, the amount is excluded only if it is paid to reimburse medical expenses, for the loss of limb, or for permanent disfigurement to the employee, the employee's spouse, or the employee's dependents;

(d) Contributions or payments made by an employer to accident and health plans, the employer's qualified transportation plan, a cafeteria plan, a dependent care assistance program, educational assistance programs, or for certain fringe benefits for employees described by Internal Revenue Code section 132. If the claimant earns wages as an employee, ~~((he or she))~~ they should receive a W-2 form from the employer reporting those wages. ~~((This))~~ The W-2 form should have ~~((already))~~ excluded the described contributions or payments provided for

the employee's benefits ~~((in the above list))~~. If there is a question ~~((arises about))~~ on whether ~~((or not))~~ an employer adjusted the employee's gross income for these ~~((exclusions))~~ employee benefits, the claimant should contact their employer and have the employer provide the ~~((county with a correct or corrected))~~ assessor with an accurate copy of the W-2 form to verify the correct wages paid to the employee;

(e) Income from discharge of indebtedness under certain limited circumstances, such as insolvency. These circumstances are outlined in Internal Revenue Code section 108;

(f) Improvements by a lessee left ~~((upon))~~ on the lessor's property at the termination of a lease;

(g) Recovery of an amount deducted in a prior tax year that did not reduce federal income taxes paid in that prior year. For example, a person that itemized deductions may get a refund of property taxes or a stolen uninsured item will be returned. This refund or recovery is included in income unless the deduction did not result in a reduction of tax. It may not result in a reduction of tax because the person had to pay alternative minimum tax or taking away that deduction drops that person below the standard deduction amount. When the deduction did not reduce taxes, the recovery amount that did not reduce taxes is excluded. The assessor may request the claimant excluding such a recovery to present prior returns and worksheets such as the worksheets provided in Publication 525, *Taxable and Nontaxable Income*, to demonstrate how the exclusion was calculated;

(h) Qualified scholarships and fellowship grants provided for certain educational expenses (e.g., tuition and books). Internal Revenue Code section 117 provides a complete description of qualified scholarship and fellowship grant amounts excluded from gross income;

(i) Meals or lodging furnished to an employee for the convenience of the employer;

(j) Excluded military pay and benefits ~~((These exclusions are))~~ as defined in WAC 458-16A-100 ~~((A discussion of how to determine and calculate these benefits is found in WAC 458-16A-120))~~;

(k) Amounts received under insurance contracts for certain living expenses ~~((As a general rule))~~. Generally, when an individual's principal residence is damaged or destroyed by fire, storm, or other casualty, or ~~((who))~~ the individual is denied access to ~~((his))~~ their principal residence by governmental authorities because of the occurrence or ~~((the))~~ threat of ~~((such))~~ a casualty, gross income does not include amounts received by ~~((such))~~ the individual under ~~((an))~~ the insurance contract which ~~((are))~~ is paid to compensate or reimburse ~~((such))~~ the individual for living expenses incurred for ~~((himself))~~ themselves and members of ~~((his))~~ their household resulting from the loss of use or occupancy of ~~((such))~~ the residence;

(l) Certain cost-sharing payments made for conservation purposes on land owned by the claimant ~~((+))~~. Payments received from federal or state funds primarily to conserve soil, protect or restore the environment, improve forests, or provide a habitat for wildlife are excluded from gross income. In addition, the claimant may exclude energy conservation subsidies provided by public utilities from gross income. If the claimant indicates that ~~((he or she has))~~ they have received payments from the government or had improvements made to ~~((his or her))~~ their residence or land by the government for conservation purposes, the assessor may ask for verification of the amount excluded, ~~((+))~~ if any ~~((+))~~, from gross income and the information received by the claimant supporting this exclusion. See Internal Revenue Code sections 126 and 136;

(m) Child support payments;

(n) Qualified foster care payments made from the government or a qualified nonprofit to a foster parent or guardian. See Internal Revenue Code section 131;

(o) Income from United States savings bonds used to pay higher education tuition and fees. See Internal Revenue Code section 135;

(p) Distributions from a qualified state tuition program or a Coverdell Education Savings Account used to pay for higher education expenses ~~((--))~~ and distributions from a Coverdell Education Savings Account used to pay for elementary or secondary education expenses. See Internal Revenue Code sections 529 and 530.

AMENDATORY SECTION (Amending WSR 08-16-078, filed 7/31/08, effective 8/31/08)

WAC 458-16A-115 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Adjusted gross income. (1) **Introduction.** This rule ~~((explains how an))~~ provides guidance to the assessor on how to determine((s)) and verify the adjusted gross income for the claimant, the claimant's spouse or domestic partner, and any cotenants. ~~((In order))~~ To meet the income requirements for the senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption program, the claimant must provide supporting documents verifying combined disposable income. The adjusted gross income for federal income tax purposes of the claimant, the claimant's spouse or domestic partner, and any cotenants represents a part of the claimant's combined disposable income.

(a) **Federal income tax return.** In most cases, the claimant presents copies of federal income tax returns to demonstrate adjusted gross income amount(s) for the claimant, the claimant's spouse or domestic partner, and any cotenants. The assessor then determines and may verify, the disposable income for each person based ~~((upon))~~ on that person's federal income tax return and other information supplied by the claimant.

(b) **No federal income tax return.** ~~((When))~~ If the claimant does not present federal income tax return(s), the assessor must determine what constitutes the adjusted gross income and the ~~((adjusted gross))~~ disposable income of the ~~((nonfiler and))~~ claimant, the claimant's spouse or domestic partner, and any cotenants. The assessor obtains copies of income documents to determine ~~((that person's))~~ and verify the claimant, the claimant's spouse or domestic partner, and any cotenant's income amounts. ~~((This rule provides the assessor with some guidance in determining the adjusted gross income for a nonfiler.~~

~~((c) **Verifying the adjusted gross income amount.** In some cases, the assessor may choose to verify income amount(s). The rule provides the assessor some guidance in verifying all or part of the adjusted gross income for the claimant, the claimant's spouse or domestic partner, or any of the cotenants.))~~

(2) **Adjusted gross income.** Internal Revenue Code section 62 defines "adjusted gross income" as gross income minus the following deductions:

(a) **Trade and business deductions.** Business owners may deduct from gross income trade or business expenses. If the claimant submits

a copy of a Form 1040 federal income tax return, these deductions will be taken on the Schedule C, the Schedule C-EZ, or, for a farm, the Schedule F. If the business owned is a partnership, limited partnership, S Corporation, or Limited Liability Company (LLC), the deduction is taken on the return submitted by the partnership, limited partnership, S Corporation, or LLC (~~((Tax Return Forms 1065 and 1120S))~~), and passed through to the individual on a Schedule K-1. ((A)) Any claimant, a claimant's spouse((~~τ~~)) or domestic partner, or cotenant that does not file a federal income tax return, but claims to have trade or business deductions should provide documentation of income and expenses from the business to allow the assessor to determine the amount of trade or business expenses to be deducted.

(b) ~~**Certain unreimbursed expenses ((paid or incurred by an elementary or secondary school teacher for educational materials and equipment, an employee who is a qualified performing artist, or a state or local government official paid on a fee basis. From 2002 until 2010,)).**~~

(i) Teachers. An elementary or secondary school teacher may deduct from their gross income, up to two hundred fifty dollars of unreimbursed amounts that ~~((the teacher pays))~~ they pay for educational materials and equipment used in ~~((the teacher's))~~ their classroom. A teacher may take this deduction on a Form 1040 or a 1040A.

(ii) Performing artists. A qualified performing artist, defined by Internal Revenue Code section 62(b), ~~((or a state or local government official paid on a fee basis))~~ may deduct from gross income any unreimbursed trade or business expense(~~s~~) incurred for ~~((that))~~ their employer as an employee. If the claimant submits a copy of a Form 1040 federal income tax return, the deduction will be taken on the dotted line before the final line for determining adjusted gross income with a designation of "QPA(~~" or "FBO~~)." ((A))

(iii) State and local government officials. A state or local government official paid on a fee basis may deduct from gross income any unreimbursed trade or business expense incurred for their employer as an employee. If the claimant submits a copy of a Form 1040 federal income tax return, the deduction will be taken on the dotted line before the final line for determining adjusted gross income with a designation of "FBO."

(iv) No federal income tax return. Any claimant, a claimant's spouse((~~τ~~)) or domestic partner, or cotenant ~~((that))~~ who does not file a federal income tax return, but claims to have unreimbursed expenses for this deduction, ~~((should))~~ must provide documentation to demonstrate ~~((his or her status as an elementary or secondary school teacher, a qualified performing artist, or a government employee paid on a fee basis))~~ employee status and documentation of the unreimbursed ~~((educational materials and equipment or trade or business amounts spent))~~ expenses incurred as an employee for ~~((his or her))~~ their employer.

(c) **Losses from sale or exchange of property.** A property owner may deduct from gross income losses from the sale or exchange of property for federal income tax purposes. If the claimant submits a copy of a Form 1040 federal income tax return, the deduction is generally determined on a Schedule D. For purposes of this ~~((program))~~ exemption, losses cannot be deducted from income. Any losses taken must be added onto adjusted gross income. An assessor may refuse documentation of losses from ((a)) any claimant, the claimant's spouse((~~τ~~)) or domestic partner, or cotenant ~~((that))~~ who does not file a federal in-

come tax return as these losses do not result in any change to the claimant's final combined disposable income.

(d) **Deductions attributable to rents and royalties.** A property owner may deduct from gross income expenses attributable to property held for the production of rents and royalties. If the claimant submits a copy of a Form 1040 federal income tax return, the deductions are determined on a Schedule E. ((A)) Any claimant, a claimant's spouse((~~τ~~)) or domestic partner, or cotenant ((~~that~~)) who does not file a federal income tax return, but claims to have expenses from rental property or licensed property, should provide documentation of these expenses to the assessor.

(e) **Certain deductions of life tenants and income beneficiaries of property.** A life tenant or income beneficiary of a trust or estate may deduct from gross income for federal income tax purposes depreciation or depletion expenses related to the business or rental property in which ((~~he or she has~~)) they have a life estate or when the property is owned by a trust or estate, if ((~~he or she has~~)) they have a beneficial interest in the property. If the claimant submits a copy of a Form 1040 federal income tax return, these deductions are shown on Schedule E. ((A)) Any claimant, a claimant's spouse((~~τ~~)) or domestic partner, or cotenant with a beneficial interest in business property owned by a trust or estate ((~~would show~~)) will document the depreciation or depletion deduction on the Schedule K-1 from that trust or estate. An assessor may refuse documentation of depreciation or depletion on property from ((~~a~~)) any claimant, a claimant's spouse((~~τ~~)) or domestic partner, or cotenant ((~~that~~)) who does not file a federal income tax return as these expenses do not result in any change to the claimant's final combined disposable income.

(f) **Pension, profit-sharing, annuity, and annuity plans of self-employed individuals.** A self-employed person may deduct from gross income contributions to a SEP, SIMPLE, or other qualified plan. These deductions are claimed on the Form 1040 federal income tax return. ((A)) Any self-employed claimant, the claimant's spouse((~~τ~~)) or domestic partner, or cotenant ((~~that~~)) who does not file a federal income tax return, but claims this deduction, should provide to the assessor documentation of the contributions made to a qualified plan by ((~~his or her~~)) their business.

(g) **Self-employed health insurance deduction.** As part of ((~~his or her~~)) their trade and business expenses, a self-employed person may deduct from gross income ((~~part (and after 2002, all) of~~)) the business's payments for ((~~his or her~~)) their health insurance. This deduction is claimed on the Form 1040 federal income tax return. ((A)) Any self-employed claimant, the claimant's spouse((~~τ~~)) or domestic partner, or cotenant ((~~that~~)) who does not file a federal income tax return, but claims this deduction, should provide to the assessor documentation of the payments made for ((~~his or her~~)) their health insurance by ((~~his or her~~)) their business. The assessor may request that the claimant ((~~to~~)) submit a copy of the deduction worksheet provided in the instructions for Form 1040 to calculate this deduction, regardless of whether ((~~or not~~)) the self-employed person filed a federal income tax return.

(h) **One-half of self-employment tax.** As part of ((~~his or her~~)) their trade or business expenses, a self-employed person may deduct from gross income one-half of the self-employment tax paid to the federal government determined on a Schedule SE. This deduction is claimed on the Form 1040 federal income tax return. A self-employed person that has not filed a federal income tax return((~~τ~~)) may not claim this

deduction as the self-employment tax is reported and paid with that return.

(i) **Retirement savings.** A person may deduct from gross income, qualifying contributions (~~((up to three thousand five hundred dollars))~~) made to an individual retirement account (IRA). This deduction may be claimed on either the Form 1040 or Form 1040A federal income tax return. ((A)) Any claimant, a claimant's spouse((~~7~~)) or domestic partner, or cotenant (~~((that))~~) who does not file a federal income tax return, but claims to have made qualifying contributions to an IRA, should provide documentation of these contributions to the assessor. The assessor may request the claimant to submit a copy of the IRA deduction worksheet provided in the instructions for Form 1040 and Form 1040A to calculate this deduction, regardless of whether (~~((or not))~~) the person filed a federal income tax return.

(j) **Penalties on early withdrawal of savings.** A person may deduct from gross income for purposes of federal income tax penalties paid because of an early withdrawal of savings. This deduction is claimed on the Form 1040 federal income tax return. The IRS classifies these penalties as losses. For purposes of this (~~((program))~~) exemption, losses may not be deducted from gross income. Any deduction taken on this line must be added to adjusted gross income. An assessor may refuse documentation (~~((about))~~) regarding these penalties from ((a)) any claimant, a claimant's spouse((~~7~~)) or domestic partner, or cotenant (~~((that))~~) who does not file a federal income tax return as these losses do not result in any change to the claimant's final combined disposable income.

(k) **Alimony.** A person may deduct from gross income alimony paid in cash to a previous spouse. This deduction is claimed on the Form 1040 federal income tax return. A person that does not file a federal income tax return, but made alimony payments, should provide copies of documentation showing the alimony payments were made in cash to a prior spouse. The documents should include a copy of the divorce or separation instrument providing for the alimony payments and the amount of the alimony payments made during the year.

(l) **Reforestation costs.** A landowner may deduct from gross income for purposes of federal income tax the amortized reforestation costs for qualified timber property over a period of eighty-four months. If the property is held as business property, the deduction will appear with the trade and business expenses. If the property is not held as business property and the claimant submits a copy of a Form 1040 federal income tax return, (~~((this))~~) the deduction is claimed on the dotted line before the final line for determining adjusted gross income on the Form 1040 federal income tax return and identified as "RFST." An assessor may refuse documentation of the amortization of reforestation costs from ((a)) any claimant, a claimant's spouse((~~7~~)) or domestic partner, or cotenant (~~((that))~~) who does not file a federal income tax return as these amortized costs are depreciation expenses. These expenses (~~((would))~~) will be added (~~((entire))~~) to adjusted gross income for purposes of this (~~((program))~~) exemption and do not result in any change to the claimant's final combined disposable income.

(m) **Required repayment of supplemental unemployment compensation.** A person may deduct from gross income required repayments of supplemental unemployment compensation benefits. If the claimant submits a Form 1040 federal income tax return, the deduction may show on the tax return in one of two ways. If the repayment is made in the same year the benefits are received, the (~~((taxpayer))~~) claimant reduces the total unemployment compensation reported on the tax return by the amount of

repayment. If the repayment is made in a ~~((later))~~ subsequent year, the ~~((taxpayer))~~ claimant deducts the repayment on the dotted line before the final line for determining adjusted gross income on the tax return and identifies it as "Sub-Pay TRA." A person that does not file a federal income tax return, but claims to have repaid supplemental unemployment compensation, should provide documentation of these repayments to the assessor.

(n) **Jury duty pay given to employer.** An employee may deduct from gross income jury duty pay given to ~~((his or her))~~ their employer. ~~((An))~~ The employee deducts the jury pay given to the employer on the dotted line before the final line for determining adjusted gross income on the Form 1040 federal income tax return and identifies it as "Jury Pay." A person that does not file a federal income tax return, but claims to have given jury pay received during the year to their employer, should provide documentation ~~((of))~~ to the assessor for the amount of jury pay given ~~((over))~~ to the employer.

~~((c))~~ ~~**(Clean-fuel vehicles and certain refueling property.**~~ A person may deduct from gross income a portion of the cost for a qualified clean-fuel vehicle and certain refueling property until the end of calendar year 2004. This deduction may show on the Form 1040 federal income tax return in one of two ways. If the property is held as business property, the deduction will appear with the trade and business expenses. If a clean-fuel vehicle is not held as business property, or is claimed by an employee who used it in whole or part for business, this deduction is claimed on the dotted line before the final line for determining adjusted gross income on the return and identified as "Clean Fuel." A purchaser that does not file a tax return, but purchased clean-fuel property, should provide documentation about the qualifying clean-fuel vehicle or the refueling property, the amount paid for the clean-fuel property, and a calculation of the deduction amount allowed.

~~((p))~~ **Unreimbursed moving expenses.** If the claimant, the claimant's spouse ~~((r))~~ or domestic partner, ~~((of))~~ and any cotenant had to move a significant distance for a job or business, ~~((he or she))~~ they may deduct from gross income ~~((the))~~ in years prior to 2018, unreimbursed moving ~~((costs))~~ expenses. This deduction is claimed on the Form 1040 federal income tax return. If ~~((the))~~ any claimant, the claimant's spouse ~~((r))~~ or domestic partner, or cotenant does not file a federal income tax return, the claimant should provide documentation of the distance moved, the reason for the move, and the moving expenses. The assessor may request a copy of Form 3903, Moving Expenses, and the distance test worksheet on that form to ~~((prove))~~ show the amount of the person's adjusted gross income, regardless of whether ~~((or not))~~ the claimant, the claimant's spouse ~~((r))~~ or domestic partner, or cotenant filed a federal income tax return.

~~((q))~~ **(p) Archer MSAs (medical savings accounts).** A person may deduct from gross income a qualifying contribution to an Archer MSA. An MSA is an account set up exclusively for paying the qualified medical expenses of the account holder or the account holder's spouse or dependent(s) in conjunction with a high deductible health plan (HDHP). To be eligible for an MSA, the person must work as an employee for a small employer or be self-employed. The person must also have an HDHP, and have no other health insurance coverage except permitted coverage. The calculation of the deduction is performed on a Form 8853 ~~((This deduction is))~~ and claimed on the Form 1040 federal income tax return. If the person does not file a federal income tax return, but claims to have made a qualifying contribution to an Archer MSA, the claimant

should provide copies of documentation to the assessor as to that person's qualifications for the deduction and how the deduction was calculated. If this deduction is claimed, the assessor may ask the claimant to submit a copy of Form 8853, and Archer MSAs and Long Term Care Insurance Contracts, regardless of whether ((or not)) the claimant, the claimant's spouse((,r)) or domestic partner, or cotenant filed a federal income tax return.

~~((r))~~ (g) Interest on student loans. A person may deduct from gross income some or all student loan interest paid on ~~((his or her))~~ their student loan(s) ~~((during the first sixty months of the loan repayment period)).~~ The deduction may not be claimed by a ~~((taxpayer))~~ person claimed as a dependent, a ~~((taxpayer))~~ person filing as married filing separately, or when the ~~((taxpayer))~~ individual has an adjusted gross income ~~((amount over fifty five thousand dollars (seventy five thousand dollars if married filing jointly). This))~~ over the limits established by the Internal Revenue Service. The deduction is claimed on either the Form 1040 or Form 1040A federal income tax return. A person that does not file a federal income tax return, but claims to have paid student loan interest, should provide copies of documentation to the assessor of that person's qualification for the deduction and how the deduction was calculated. ~~((For 2002 and after, a person may deduct some or all of this student loan interest (not over two thousand five hundred dollars) repaid for any repayment period (the sixty-month limit is gone), provided the taxpayer does not have adjusted gross income above sixty five thousand dollars (one hundred thirty thousand dollars if married filing jointly). The two thousand five hundred dollar limit on the interest gets reduced for taxpayers with adjusted gross income over fifty thousand dollars (one hundred thousand dollars if married filing jointly).))~~ See Internal Revenue Code section 221.

~~((s))~~ (r) Higher education expenses. ~~((From 2002 to 2005, an individual with adjusted gross income below a set amount (generally sixty five thousand dollars) may take a deduction))~~ A person may deduct from gross income, some or all amounts they paid for qualified tuition and related expenses ((paid by that person for that person, that person's spouse, or a dependent of that person. Depending on the individual's gross income, the deduction cannot exceed three thousand dollars (four thousand dollars in 2004 and 2005)) for themselves, their spouse, or their dependent. The deduction is claimed on either the Form 1040 or Form 1040A federal income tax return. A person that does not file a federal income tax return, but claims to have paid higher education expenses, should provide the assessor with copies of documentation of ~~((that person's))~~ their qualification for the deduction and how the deduction was calculated. This deduction may only be taken if the income was not excluded from gross income. ~~((See WAC 458-16A-110 (savings bonds, qualified state tuition programs, and Coverdell Education Savings Accounts).))~~ See Internal Revenue Code, section 222.

AMENDATORY SECTION (Amending WSR 13-12-047, filed 5/31/13, effective 7/1/13)

WAC 458-16A-120 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Determining combined disposable income. (1) **Introduction.** This rule describes how an assessor determines a claimant's combined disposable income.

Examples. This rule includes examples that identify a set of facts and then state a conclusion. These examples should only be used as a general guide.

(2) **Begin by calculating disposable income.** The assessor must determine the disposable income of the claimant, the claimant's spouse or domestic partner, and all cotenants. The assessor begins by obtaining a copy of the claimant's, the claimant's spouse's or domestic partner's, and any cotenant's federal income tax return. If the ~~((claimant, the claimant's spouse or domestic partner, or a cotenant does not provide a))~~ federal income tax returns are not provided, the assessor must calculate disposable income from copies of other income documents (e.g., W-2, 1099-R, 1099-INT, etc.). ~~((The assessor may want to review the definitions of gross income, WAC 458-16A-110, and adjusted gross income, WAC 458-16A-115, to help calculate the combined disposable income for a claimant. These rules provide some guidance on how to determine adjusted gross income without copies of a federal income tax return. On))~~ If the federal income tax returns are provided, ((the)) adjusted gross income is found on the front pages of Form 1040, Form 1040A, and Form 1040EZ. Even ((when)) if a federal income tax return is provided, an assessor may request copies of supporting documents to verify the amount of the claimant's combined disposable income.

(a) **Absent spouse or domestic partner.** When a spouse or domestic partner has been absent for over a year and the claimant has no knowledge of ~~((his/her))~~ their spouse's or domestic partner's ~~((whereabouts))~~ location or whether the spouse or domestic partner has ~~((any))~~ income ~~((or not))~~, and the claimant has not received anything of value from the spouse or domestic partner or anyone acting on behalf of the spouse or domestic partner, the disposable income of the spouse or domestic partner is deemed to be zero for purposes of this exemption. The claimant must submit with the application a dated statement signed ~~((by the applicant))~~ under the penalty of perjury. This statement must state that more than one year prior to filing ~~((this))~~ the exemption application:

(i) The claimant's spouse or domestic partner ~~((has been))~~ was absent;

(ii) The claimant has not and does not know the ~~((whereabouts of the claimant's))~~ location of their spouse or domestic partner;

(iii) The claimant has not had any communication with ~~((the claimant's))~~ their spouse or domestic partner; and

(iv) The claimant has not received anything of value from ~~((the claimant's))~~ their spouse or domestic partner or anyone acting on behalf of ~~((the claimant's))~~ their spouse or domestic partner.

The statement must also agree to provide this income information if the claimant is able to obtain it anytime ~~((it))~~ within the next six years.

(b) **Form 1040EZ.** Generally, the adjusted gross income on Form 1040EZ represents the disposable income for the person or couple fil-

ing the return. However, ~~((that person's or couple's))~~ the adjusted gross income as shown on the Form 1040EZ must be increased by the following amounts ~~((that))~~ which are excluded from ~~((their))~~ adjusted gross income.

(i) **Gain from a sold residence.** Under certain circumstances, gain from a sold residence is added onto the seller's adjusted gross income. Since ~~((there is no federal form used for reporting the exclusion of))~~ excluded capital gains from the sale of a principal residence are generally not reported on the federal income tax return, the exemption application asks if a home has been sold, whether the sale proceeds were reinvested in a new principal residence, and the amount of capital gain from the sale.

(A) If the proceeds were reinvested in a new principal residence, the excluded capital gain reinvested in the new residence is ignored. The adjusted gross income on Form 1040EZ is not adjusted for any part of the excluded capital gain reinvested in the new residence.

(B) If the proceeds were not reinvested in a new principal residence or if only a part of the proceeds were reinvested in a new principal residence, the amount of excluded capital gain that is not reinvested in a new principal residence is added onto the seller's adjusted gross income to determine the seller's disposable income. The assessor may accept the excluded capital gain amount claimed ~~((upon))~~ on the application or request a copy of documents demonstrating the seller's basis in the property and the capital gain earned ~~((upon))~~ on the sale.

(ii) **Interest received on state and municipal bonds.** Interest received on state or local government bonds is generally not subject to federal income tax. This tax exempt interest is marked "TEI" and reported on the Form 1040EZ. The tax-exempt interest is added ~~((ent))~~ to the bond owner's federal adjusted gross income to determine the bond owner's disposable income.

(A) The assessor may ask a claimant whether the claimant, the claimant's spouse or domestic partner, or any cotenants own state or local government bonds. If the federal income tax return does not show the tax exempt amount from the bond, the assessor may ask to see a copy of the Form 1099-INT (Interest Income).

(B) If the claimant does not have ~~((this))~~ Form 1099-INT, the bond issuer should be able to ~~((tell the owner))~~ determine whether the interest is taxable. The bond issuer should also ~~((give))~~ provide the owner with a periodic, ~~((+))~~ or year-end ~~((+))~~, statement showing the tax treatment of the bond. If the ~~((income))~~ recipient of the bond income invested in the bond through a trust, a fund, or other organization, that organization should ~~((give))~~ provide the recipient with this information.

(iii) **Excluded military pay and benefits.** Military pay and benefits excluded from federal adjusted gross income, other than attendant-care and medical-aid payments, are added ~~((ent))~~ to the adjusted gross income of the military personnel receiving the excluded military pay or benefits to determine that person's disposable income. Excluded military pay and benefits are discussed in more detail in (d)(vii) of this subsection.

(iv) **Veterans benefits.** Veterans benefits are added ~~((ent))~~ to the veteran's adjusted gross income to determine the veteran's disposable income ~~((, except for))~~. The following veterans benefits are not added to a veteran's adjusted gross income:

(A) Attendant-care payments and medical-aid payments, defined as any payments for medical care, home health care, health insurance cov-

erage, hospital benefits, or nursing home benefits provided by the Department of Veterans Affairs (VA);

(B) Disability compensation, defined as payments made by the ~~((Department of Veterans Affairs (-))VA((+))~~ to a veteran because of a service-connected disability ~~((RCW 84.36.383 (5) (f) (iii).-))~~; and

(C) Dependency and indemnity compensation, defined as payments made by the ~~((Department of Veterans Affairs (-))VA((+))~~ to a surviving spouse, child, or parent. ~~((RCW 84.36.383 (5) (f) (iv).-))~~

Veterans benefits are discussed in more detail in (d)(viii) of this subsection.

(c) **Form 1040A.** If a claimant provides a copy of a Form 1040A, the assessor calculates the disposable income for the person or couple filing the return by adding ~~((entē))~~ to the adjusted gross income ~~((reported))~~, the items described below, but only to the extent these items were excluded or deducted from gross income ~~((+))~~.

(i) **Gain from a sold residence.** The excluded capital gain from selling a principal residence to the extent ~~((that))~~ the excluded gain was not reinvested in a new principal residence is added onto the seller's adjusted gross income to determine the seller's disposable income. ~~((The amount is reported on the exemption application.))~~ Refer to (b)(i) of this subsection for a more complete discussion of excluded capital gain ~~((upon))~~ on a sold residence.

(ii) **Interest received on state and municipal bonds.** Interest received on state or local government bonds is generally not subject to federal income tax. The tax-exempt interest reported on Form 1040A is added back ~~((entē))~~ to the bond owner's adjusted gross income to determine the bond owner's disposable income. Refer to (b)(ii) of this subsection for a more complete discussion of tax-exempt interest on state and municipal bonds.

(iii) **Pension and annuity receipts.** Any nontaxable pension and annuity amounts are added onto the recipient's adjusted gross income amount to determine the recipient's disposable income. The nontaxable pension and annuity amounts are the difference ~~((in))~~ between the total pension and annuity amounts reported ~~((from))~~ and the taxable amounts reported. If the total amount of the pension and annuity amounts are not reported on the return, the assessor may use a copy of the Form 1099-R (Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.) issued to the claimant, the claimant's spouse or domestic partner, or the cotenant to determine the total amount of pension and annuity amounts received. Pension and annuity amounts do not include distributions made from a traditional individual retirement account ~~((+and))~~.

(iv) **Federal Social Security Act and railroad retirement benefits.** Any nontaxable Social Security benefit or equivalent railroad retirement amount reported on the Form 1040A federal income tax return is added ~~((entē))~~ to the adjusted gross income of the person receiving these benefits to determine that person's disposable income. The nontaxable Social Security benefit or equivalent railroad retirement amount is the difference ~~((in))~~ between the total Social Security benefits or equivalent railroad retirement amounts reported ~~((from))~~ and the taxable amount reported. If the total amount of the Social Security benefit or equivalent railroad retirement amount is not reported on the federal income tax return, the assessor may use a copy of the Form SSA-1099 or Form RRB-1099 issued to the claimant, the claimant's spouse or domestic partner, or the cotenant, to determine the Social Security benefits or the railroad retirement benefits received.

(v) **Excluded military pay and benefits.** Military pay and benefits excluded from federal adjusted gross income, other than attendant-care and medical-aid payments, are added ~~((~~ento~~))~~ to the adjusted gross income of the military personnel receiving the excluded military pay or benefits to determine that person's disposable income. Excluded military pay and benefits are discussed in (d)(vii) of this subsection.

(vi) **Veterans benefits.** Veterans benefits are added ~~((~~back-ento~~))~~ to the veteran's adjusted gross income to determine the veteran's disposable income ~~((~~, except for~~))~~. The following veterans benefits are not added to a veteran's adjusted gross income:

(A) Attendant-care payments and medical-aid payments, defined as any payments for medical care, home health care, health insurance coverage, hospital benefits, or nursing home benefits provided by the ~~((~~Department of Veterans Affairs~~))~~ VA ~~((~~+~~))~~;

(B) Disability compensation, defined as payments made by the ~~((~~Department of Veterans Affairs~~))~~ VA ~~((~~+~~))~~ to a veteran because of a service-connected disability ~~((~~, (RCW 84.36.383 (5)(f)(iii).)~~))~~; and

(C) Dependency and indemnity compensation, defined as payments made by the ~~((~~Department of Veterans Affairs~~))~~ VA ~~((~~+~~))~~ to a surviving spouse, child, or parent. ~~((~~, (RCW 84.36.383 (5)(f)(iv).)~~))~~

Veterans benefits are discussed in (d)(viii) of this subsection.

(d) **Form 1040.** If a claimant provides a copy of ~~((~~a~~))~~ the Form 1040, the assessor will calculate ~~((~~s~~))~~ the disposable income for the person or couple filing the return by adding ~~((~~ento~~))~~ to the reported adjusted gross income all of the items described below, but only to the extent these items were excluded or deducted from gross income ~~((~~+~~))~~.

(i) **Gain from a sold residence.** The excluded capital gain from selling a principal residence to the extent that excluded gain was not reinvested in a new principal residence is added onto the seller's adjusted gross income to determine the seller's disposable income. ~~((~~The excluded capital gain amount is reported on the exemption application.~~))~~

(ii) **Capital gains.** If the federal income tax return shows capital gains or losses, the assessor examines a copy of the ~~((~~following~~))~~ schedule or forms, if any, that were filed with the return. The assessor should examine the capital gains reported on Schedule D (Capital Gains and Losses) and on Forms 4684 (Casualty and Thefts), 4797 (Sales of Business Property), and 8829 (Business Use of Home).

The assessor adds ~~((~~ento-the~~))~~ to adjusted gross income, any amount of capital gains reduced by losses or deductions on the schedules or forms listed above to determine the total capital gains. The amount of capital gains that were excluded or deducted from adjusted gross income must be added ~~((~~ento-that~~))~~ to the adjusted gross income to determine disposable income.

(iii) **Losses.** Amounts deducted for ~~((~~loss~~))~~ losses are added ~~((~~ento-the~~))~~ to adjusted gross income to determine ~~((~~the~~))~~ disposable income. Most losses are reported on the federal income tax return in parentheses to reflect that these loss amounts are to be deducted. ~~((~~The~~))~~ Net losses are reported on Form 1040 as business losses, ~~((~~as~~))~~ capital losses, ~~((~~as~~))~~ other losses, ~~((~~as~~))~~ rental or partnership-type losses, ~~((~~and~~))~~ or as farm losses. ~~((~~Add~~))~~ The assessor adds these amounts ~~((~~in parentheses-ento~~))~~ to the adjusted gross income. ~~((~~In addition~~))~~ Additionally, the assessor adds to adjusted gross income the amount reported as a penalty on early withdrawal of savings because the amount represents a loss under section 62 of the Internal Revenue Code.

(A) The (~~taxpayer~~) claimant only reports the net amount of these losses on the front page of the Form 1040 federal income tax return. A loss may be used on other schedules or forms to reduce income before being transferred to the front page of the tax return to calculate adjusted gross income. The assessor adds (~~onto~~) to the adjusted gross income the amount of losses used to reduce income on these other schedules and forms. The amount of losses that were used to reduce adjusted gross income must be added (~~onto that~~) to the adjusted gross income to determine disposable income.

For example, (~~the~~) a claimant reports a five thousand dollar capital loss on the front page of the 1040 (~~a capital loss of five thousand dollars~~). The assessor examines the Schedule D). On the Schedule D, the claimant reports two thousand dollars in long-term capital gains from the sale of Company X stock and seven thousand dollars in long-term capital losses from the sale of an interest in the Y limited partnership. The assessor has already added the five thousand dollar(~~s~~) loss from the net capital loss reported on the front page of the tax return. The assessor would add onto adjusted gross income only the additional two thousand dollars in losses from (~~this~~) the Schedule D that was used to offset the capital gain the claimant earned from the sale of Company X stock.

(B) The assessor should examine losses reported on Schedules C (Profit or Loss from Business), D (Capital Gains and Losses), E (Supplemental Income and Loss), F (Profit or Loss from Farming), and K-1 (Shareholder's Share of Income, Credits, Deductions, etc.), and on Forms 4684 (Casualty and Thefts), 4797 (Sales of Business Property), 8582 (Passive Activity Loss Limitations), and 8829 (Business Use of Home) to determine the total amount of losses claimed.

(iv) **Depreciation.** Amounts deducted for the depreciation, depletion, or amortization of an asset's costs are added onto the adjusted gross income to determine the disposable income. This includes section 179 expenses, as an expense in lieu of depreciation. Amounts deducted for depreciation, depletion, amortization, and 179 expenses may be found on Schedules C, C-EZ, E, F, K and K-1, and on Form 4835 (Farm Rental Income and Expenses). If the schedule or form results in a loss transferred to the front of the Form 1040 federal income tax return, the depreciation deduction to the extent it is represented in that loss amount should not be added onto the adjusted gross income, (~~as~~) as this would result in it being added back twice(~~as~~);

(v) **Pension and annuity receipts.** Any nontaxable pension and annuity amounts are added (~~onto~~) to the recipient's adjusted gross income amount to determine the recipient's disposable income. The nontaxable pension and annuity amounts are the difference between the total pension and annuity amounts reported and the taxable amounts reported. If the total pension and annuity amounts are not reported on the tax return, the assessor may use a copy of the Form 1099-R (Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.) issued to the claimant, the claimant's spouse or domestic partner, or the cotenant to determine the total pension and annuity amounts received. Pension and annuity amounts do not include distributions made from a traditional individual retirement account.

(vi) **Federal Social Security Act and railroad retirement benefits.** Any nontaxable Social Security benefit or equivalent railroad retirement amount reported on the Form 1040 federal income tax return is added (~~onto~~) to the adjusted gross income of the person receiving these benefits to determine that person's disposable income. The non-

taxable Social Security benefit or equivalent railroad retirement amount is the difference between the total Social Security benefits or equivalent railroad retirement amounts reported and the taxable amounts reported. If the total amount of the Social Security benefit or equivalent railroad retirement amount is not reported on the tax return, the assessor may use a copy of the Form SSA-1099 or Form RRB-1099 issued to the claimant, the claimant's spouse or domestic partner, or the cotenant to determine the Social Security benefits or the railroad retirement benefits received.

(vii) **Excluded military pay and benefits.** Military pay and benefits excluded from federal adjusted gross income, other than pay or benefits for attendant care or medical aid, are added ~~((ente))~~ to the adjusted gross income of the military personnel receiving the military pay or benefits to determine that person's disposable income. Excluded military pay and benefits are not reported on the Form 1040. Excluded military pay and benefits such as pay earned in a combat zone, basic allowance for subsistence (BAS), basic allowance for housing (BAH), and certain in-kind allowances, are reported ~~((in box 12 of the))~~ on Form W-2. The claimant should disclose when excluded military pay and benefits were received and provide copies of the Form W-2 or other documents that verify the amounts received.

(viii) **Veterans benefits.** Federal law excludes from gross income any veterans benefit ~~((s))~~ payments ~~((r))~~ paid under any law, regulation, or administrative practice administered by the ~~((Department of Veterans Affairs (VA). To determine disposable income, allowances or payments made from the VA must be added on the veteran's adjusted gross income, except for))~~ VA. The following veterans benefits are not added to a veteran's adjusted gross income:

(A) Attendant-care payments and medical-aid payments, defined as any payments for medical care, home health care, health insurance coverage, hospital benefits, or nursing home benefits provided by the ~~((Department of Veterans Affairs ()))~~ VA ~~((+))~~;

(B) Disability compensation, defined as payments made by the ~~((Department of Veterans Affairs ()))~~ VA ~~((+))~~ to a veteran because of a service-connected disability ~~((RCW 84.36.383 (5) (f) (iii).))~~; and

(C) Dependency and indemnity compensation, defined as payments made by the ~~((Department of Veterans Affairs ()))~~ VA ~~((+))~~ to a surviving spouse, child, or parent. ~~((RCW 84.36.383 (5) (f) (iv).))~~

VA benefits are not reported on the Form 1040. The claimant should disclose when excluded veterans benefits were received and provide copies of documents that verify the amount received.

(ix) **Dividend receipts.** Exempt-interest dividends received from a regulated investment company (mutual fund) are reported on the tax-exempt interest line of the Form 1040 and added ~~((ente))~~ to the recipient's adjusted gross income to determine that recipient's disposable income.

(A) The assessor may ask a claimant whether the claimant, the claimant's spouse or domestic partner, or any cotenants have received exempt-interest dividends.

(B) Generally, the mutual fund owner will receive a notice from the mutual fund telling ~~((him or her))~~ them the amount of the exempt-interest dividends received. These exempt-interest dividends are not shown on Form 1099-DIV or Form 1099-INT. Although exempt-interest dividends are not taxable, the owner must report them on the Form 1040 tax return if ~~((he or she has))~~ they have to file; and

(x) **Interest received on state and municipal bonds.** Interest received on state or local government bonds is generally not subject to

federal income tax. ~~((This))~~ The tax-exempt interest is reported on the Form 1040 and added ~~((~~to~~))~~ to the bond owner's adjusted gross income to determine the bond owner's disposable income.

(3) **Calculate the combined disposable income.** ~~((When))~~ Once the assessor has calculated the disposable income for the claimant, the claimant's spouse or domestic partner, and any cotenants, the assessor ~~((combines))~~ will add the disposable incomes ~~((of these people))~~ together. To calculate the combined disposable income for the claimant, the assessor ~~((reduces this combined income by))~~ will subtract from the sum of the disposable income, the amounts paid by the claimant or the claimant's spouse or domestic partner during that calendar year for their:

- (a) Legally prescribed drugs ~~((~~τ~~))~~;
- (b) Home health care;
- (c) Nursing home, assisted living facility, or adult family home expenses; and
- (d) Health care insurance premiums for medicare under Title XVIII of the Social Security Act ~~((to calculate the claimant's combined disposable income)).~~

AMENDATORY SECTION (Amending WSR 18-24-108, filed 12/4/18, effective 1/4/19)

WAC 458-16A-130 Senior citizen, disabled person, and disabled veteran exemption—Qualifications for exemption. (1) **Introduction.**

This rule describes the qualifications a claimant must meet for the senior citizen, disabled person, and disabled veteran property tax exemption. ~~((The definitions in WAC 458-16A-100 apply to this rule. In order))~~ To qualify for the exemption, the claimant must:

- (a) Meet the age or disability requirements as described in subsection (2) of this rule;
- (b) Have a combined disposable income below the ~~((statutory limit amount provided in RCW 84.36.381))~~ prescribed amounts in subsection (3) of this rule; and
- (c) Own the property and occupy it as ~~((his or her))~~ their principal residence for more than nine months each calendar year as described in subsection (4) of this rule.

(2) **Age, retirement, and disability requirements.** ~~((In order))~~ To qualify for the exemption:

(a) The senior citizen claiming the exemption must be age sixty-one or older on December 31st of the year in which the claim is filed. No proof is required concerning a senior citizen's employment status to claim the exemption.

(b) The disabled person claiming the exemption must be at the time of filing, retired from regular gainful employment and unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months ~~((42 U.S.C. Sec. 423(d)(1)(A)))~~ .

(c) The veteran claiming the exemption must be at the time of filing, a veteran of the armed forces of the United States entitled to

and receiving compensation from the United States Department of Veterans Affairs (VA) at:

(i) A combined service-connected evaluation rating of eighty percent or higher; or

(ii) A total disability rating for a service-connected disability without regard to evaluation percent.

(d) The surviving spouse or domestic partner of a claimant, who applies to continue their spouse's or domestic partner's exemption, must be age fifty-seven or older in the calendar year the claimant dies.

(3) **Income requirements.** ~~((In order))~~ To qualify for the exemption, the claimant's combined disposable income (, as defined in RCW 84.36.383 and WAC 458-16A-120,) must be ((below the statutory limit amount provided in RCW 84.36.381)) equal to or less than one of the three income thresholds described in RCW 84.36.383. The income thresholds, which are published by the department beginning August 1, 2019, and by March 1st every fifth year thereafter, will determine the amount of property tax the claimant is exempt from on their principal residence, as follows:

(a) Income threshold 3. A claimant's combined total disposable income that is equal to or less than income threshold 3 is exempt on their principal residence from the following:

(i) All excess property taxes;

(ii) The additional state property tax imposed under RCW 84.52.065(2); and

(iii) The portion of the regular property taxes authorized pursuant to RCW 84.55.050 to remove the property tax levy limit (lid lift) approved by the voters, if the legislative authority of the county or city imposing the additional regular property taxes identified this exemption in the ordinance placing the lid lift measure on the ballot.

(b) Income threshold 2. A claimant's combined total disposable income that is equal to or less than income threshold 2, but greater than income threshold 1, is exempt on their principal residence from the following:

(i) All property taxes listed under income threshold 3; and

(ii) All regular property taxes on the greater of fifty thousand dollars or thirty-five percent of the valuation of their residence, but not to exceed seventy thousand dollars of the valuation of their residence.

(c) Income threshold 1. A claimant's combined total disposable income that is equal to or less than income threshold 1, is exempt on their principal residence from the following:

(i) All property taxes listed under income threshold 3; and

(ii) All regular property taxes on the greater of sixty thousand dollars or sixty percent of the valuation of their residence.

(4) **Principal residence requirements.** ~~((In order))~~ To qualify for the exemption, the claimant must own the property and occupy it as ((his or her)) their principal residence for more than nine months each calendar year. The claimant must occupy the principal residence at the time of filing for each year the exemption is claimed. WAC 458-16A-100 and 458-16A-135 provide additional information regarding the definitions of principal residence and residence, and the supporting documents required to demonstrate the property is owned and occupied as a claimant's principal residence.

AMENDATORY SECTION (Amending WSR 15-22-086, filed 11/3/15, effective 12/4/15)

WAC 458-16A-135 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Application procedures.

(1) **Introduction.** This rule explains when and how a senior citizen, disabled person, or ~~((one hundred percent))~~ disabled veteran may apply for a property tax exemption on ~~((that person's))~~ their principal residence. ~~((RCW 84.36.381 through 84.36.389.))~~

(2) **When to apply for the exemption.** A claimant may first apply for the exemption in the calendar year that ~~((he or she))~~ they meet~~((s))~~ the age, disability, or disabled veteran requirements for exemption of taxes due in the following year. If the claimant does not apply when ~~((he or she meets))~~ they meet the age, disability, or disabled veteran requirements, then ~~((he or she))~~ they may apply for the exemption in any subsequent year. The exemption may be claimed on ~~((his or her))~~ their principal residence for previous years by applying with separate applications for each year. However, refunds based ~~((upon))~~ on an exemption made in previous years may be refunded for only ~~((for))~~ up to three years after the taxes were due as provided in ~~((chapter 84.69 RCW))~~ RCW 84.69.030.

(3) **Application required.** A claimant must submit to the county assessor's office an application for exemption with supporting documents. When an application is first made, if the claimant applies for more than one year ~~((when the application is first made)),~~ an application must be made for each year the claimant seeks the exemption.

(4) **Where to obtain the application form.** A claimant may obtain the application form and the list of required supporting documents from the county assessor's office where ~~((his or her))~~ their principal residence is located.

(5) **How to apply for the exemption.** Applications and supporting documents are filed in person or by mail at the county assessor's office where the principal residence is located. As an alternative, the county assessor may provide an electronic means for filing if authorized by the department.

(a) **The application form.** The county assessor designs the paper application form or adapts a master paper form obtained from the department. The county is also authorized to design an electronic form for applying. The county must obtain approval of the final form, paper or electronic, from the department before it may be distributed and used. The claimant must use ~~((an))~~ the application form from the county where the principal residence is located and provide true and accurate information in the application.

(b) **Signatures.** The signature must certify that under penalty of perjury under the laws of Washington the application is true and correct. The application must be signed, dated, and state the place (city, county, or address) where it was signed. The application must be signed by:

- (i) The claimant;
- (ii) The claimant's designated agent;
- (iii) The legal guardian for the claimant (if applicable); or
- (iv) If the property is subject to a deed of trust, mortgage, or purchase contract requiring an accumulation of reserves to pay property taxes, the lien holder; and

(v) If the claimant resides in a cooperative housing unit or portion of a cooperative structure representing the claimant's ownership share in that cooperative, the authorized agent of the cooperative must also sign the application.

(c) **Perjury statement.** The perjury statement certifying under the penalty of perjury that the application is true and correct must be placed ~~((upon))~~ on the application immediately above ((a)) the line for the signature. Any person signing a false claim with the intent to defraud or evade the payment of any tax is guilty of perjury under chapter 9A.72 RCW. If a person receives an exemption based on erroneous information, the assessor assesses any unpaid taxes with interest for up to five years. If a person receives an exemption based on erroneous information, and the person either provided that information with the intent to defraud or intentionally failed to correct that information, the assessor ~~((assesses))~~ will assess any unpaid taxes with interest ~~((7))~~ for up to five years, ~~((with))~~ and will assess the one hundred percent penalty as provided in RCW 84.40.130. ~~((RCW 84.36.385(5).))~~

(d) **Cooperative agreement to reduce rent.** A cooperative must also agree, in a statement attached to the application, to reduce amounts owed by the claimant to the cooperative by the amount of the property tax exemption. The agreement must also state that when the exemption exceeds the amount owed to the cooperative, the cooperative must pay ~~((to))~~ the claimant any amount of the tax exemption remaining after this offsetting reduction. ~~((RCW 84.36.387(5).))~~

(e) **Supporting documents.** Unless the assessor determines that all or some of the supporting documents are not necessary, a claimant must present the documents listed ~~((below))~~ in this subsection with ~~((his or her))~~ their application. Except for affidavits, the assessor's office should not accept original documents from the claimant. If the assessor's office is presented with original documents ~~((other than affidavits))~~, they must make copies or note the information provided in the documents on a separate sheet and return these original documents to the claimant. The claimant must submit ~~((s))~~ the following documents with the application:

(i) If the county records do not reflect the claimant as the property owner, copies of any legal instruments demonstrating the claimant's interest held in the property;

(ii) Documents demonstrating that the property is the claimant's principal residence (i.e., copy of a driver's license and voter's registration card);

(iii) Copies of legal identification showing the claimant's age (i.e., copy of a driver's license or birth certificate);

(iv) If the claim is based ~~((upon))~~ on a disability, either:

(A) An affidavit from a licensed physician or certified physician's assistant (medical or osteopath doctor), a licensed or certified psychologist for disabling mental impairments, or a licensed podiatrist for disabling impairments of the foot, that states the claimant is unable to enter into regular gainful employment because of ~~((his or her))~~ their disability and the expected term of the disability; or

(B) Copies of a written acknowledgment or decision by the Social Security Administration or Veterans Administration that the claimant is permanently disabled;

(v) If the claim is based upon the claimant's veteran status, copies of legal documents showing that the claimant is a veteran of the armed forces of the United States entitled to and receiving com-

compensation from the United States Department of Veterans Affairs at a combined service-connected evaluation rating of eighty percent or higher or at a total disability rating for a service-connected disability without regard to evaluation percent;

(vi) Copies of documents showing income earned or reported by the claimant, the claimant's spouse or domestic partner and any cotenants, even when the income is estimated (income information should be provided to the degree possible and then confirmed with supporting documents in the follow-up period), such proof (~~shall~~) must include to the extent it is relevant:

(A) If the claimant, the claimant's spouse or domestic partner, or any cotenants receive Social Security payments, a federal statement showing Social Security paid (generally, Form SSA-1099);

(B) If the claimant, the claimant's spouse or domestic partner, or any cotenants receive railroad retirement benefits, a federal statement showing railroad retirement benefits paid (generally, Forms RRC-1099 and RRC 1099-R);

(C) If the claimant, the claimant's spouse or domestic partner, or any cotenants file federal income tax returns, those returns with supporting forms, schedules, and, if specifically requested, worksheets for the deductions taken from gross income (generally, Form 1040 with its supporting forms and schedules);

(D) If the claimant or the claimant's spouse or domestic partner has been in a nursing home, assisted living facility, (~~or~~) adult family home, or has been receiving in-home care in either their home or in the home of a relative for purposes of long-term care, copies of invoices (or an equivalent billing statement or payment statement) for nonreimbursed ((nursing home and in-home)) care or documentation to verify the claimant or claimant's spouse or domestic partner have been receiving care at the home of a relative;

(E) If the claimant indicates that the nonreimbursed prescription drug expenses for the claimant and the claimant's spouse or domestic partner for the period under review exceeds five hundred dollars, copies of checks or other payment statements (i.e., pharmacy printout of payments for purchases) showing amounts paid for nonreimbursed prescription drug expenses;

(F) Copies of documents showing premiums paid if the claimant or the claimant's spouse or domestic partner pays health care insurance premiums for medicare under Title XVIII of the Social Security Act (i.e., 1099, or medicare plan policy declaration);

(G) If no federal returns were filed or received, the claimant must still provide copies of documents to demonstrate (~~his or her~~) their income and the income of (~~his or her~~) their spouse or domestic partner and any cotenants (i.e., federal income statements such as Form W-2 (wages), Form 1099-INT (interest), Form 1099-DIV (dividends), Form 1099-R (pension amounts), Form 1099-G (unemployment), or Form 1099-Misc. (contract income)). Even claimants who claim they have no federal income (or an inordinately small amount of federal income) must have income to maintain themselves and their residences. In these situations, the claimant must produce copies of documents demonstrating the source of the funds they are living on (i.e., checking account registers and bank statements) and the bills for maintaining the claimant and the residence (i.e., public assistance check stubs, utility invoices, cable TV invoices, check registers, bank statements, etc.); and

(vii) Any other copies of documents the assessor requires in ~~((his or her))~~ their discretion for the claimant to produce in order to demonstrate the claimant qualifies for the exemption.

(f) Public disclosure of the application. The application form may not be disclosed. A copy of the application may be disclosed only if all income information on the form is ~~((obliterated))~~ redacted so that it cannot be read. Except as required by law, no public disclosure may be made of the checklist of supporting documents or any supporting documents retained that concern the income of the claimant, the claimant's spouse or domestic partner, or any cotenant.

AMENDATORY SECTION (Amending WSR 18-04-007, filed 1/25/18, effective 2/25/18)

WAC 458-16A-150 Senior citizen, disabled person, and ~~((one hundred percent))~~ disabled veteran exemption—Requirements for keeping the exemption. (1) **Introduction.** This rule explains how and when a senior citizen, disabled person, or ~~((one hundred percent))~~ disabled veteran must file additional ~~((reports))~~ documents with the county assessor to ~~((keep the))~~ maintain their senior citizen, disabled person, or ~~((one hundred percent))~~ disabled veteran property tax exemption. The rule also explains what happens when the claimant or the property no longer qualifies for the full exemption.

Examples. This rule includes examples that identify a set of facts and then state a conclusion. These examples should only be used as a general guide.

(2) **Continuing the exemption.** The claimant must keep the assessor up to date on ~~((the claimant's))~~ their continued qualification for the senior citizen, disabled person, or ~~((one hundred percent))~~ disabled veteran property tax exemption. The claimant keeps the assessor up to date in the following three ways~~((--))~~ :

(a) First, the claimant submits a change in status form when any change affects ~~((his or her))~~ their exemption. In some circumstances, the change in status form may be submitted by an executor, a surviving spouse, a surviving domestic partner, or a purchaser to notify the county of a change in status affecting the exemption~~((--))~~ ;

(b) Second, the claimant submits a renewal application for the exemption either ~~((upon))~~ on the assessor's request following an amendment of the income requirement, or at least once every six years~~((--))~~ ; and

(c) Third, the claimant applies to transfer the exemption when moving to a new principal residence.

(3) **Change in status.** When a claimant's circumstances change in a way that affects ~~((his or her))~~ their qualification for the senior citizen, disabled person, or ~~((one hundred percent))~~ disabled veteran property tax exemption, the claimant must submit a completed change in status form to notify the county of this change.

(a) **When to submit form.** The claimant must submit a change in status form to the county assessor for any change affecting that person's qualification for the exemption within thirty days of ~~((such))~~ the change in status. If the claimant is unable or fails to submit a change in status form, any subsequent property owner, including a claimant's estate or surviving spouse or surviving domestic partner,

should submit a change in status form to avoid interest, and in some cases, the penalty for willfully claiming the exemption based ~~((upon))~~ on erroneous information.

(b) **Change(s) in status described.** ~~((Changes))~~ A change in status includes:

(i) Changes that affect the property (i.e., changes in land use regulations, new construction, boundary line changes, rentals, ownership changes, etc.);

(ii) Changes to the property owner's annual income that increase or decrease property taxes due under the ~~((program))~~ exemption; or

(iii) Changes that affect the property owner's eligibility for the exemption (i.e., death, moving to a replacement residence, moving to another residence the claimant does not own, ~~((moving into a hospice, a nursing home, or any other long-term care facility,))~~ marriage, registration in a state registered domestic partnership, improvement of a disability for a disabled person's claim, or a disabled person entering into gainful employment, and in some cases, moving into a hospice, a nursing home, or any other long-term care facility).

(c) **Change in status form.** The county assessor designs the change in status form or adapts a master form obtained from the department. The county must obtain approval of the final form from the department before it may be distributed. The claimant, the claimant's agent, or a subsequent owner of the residence must use a change in status form from the county where the principal residence is located. The person filing the form must provide true and accurate information on the change in status form.

(d) **Obtaining the form.** The claimant or subsequent property owner may obtain the form from the county assessor where ~~((his or her))~~ their principal residence is located. The form may also be obtained electronically if available from the county assessor and electronic filing has been approved by the department.

(e) **Failure to submit the form after a change in status occurs.** If the claimant fails to submit the change in status form, the application information relied ~~((upon))~~ on becomes erroneous for the period following the change in status. Upon discovery of the erroneous information, the assessor determines the status of the exemption, and notifies the county treasurer to collect any unpaid property taxes and interest from the claimant, the claimant's estate, or if the property has been transferred, from the subsequent property owner. The treasurer may collect any unpaid property taxes, interest, and penalties for a period not to exceed five years as provided ~~((for))~~ under RCW ~~((84.40.380))~~ 84.36.385. In addition, if a person willfully fails to submit the form or provides erroneous information, that person is liable for an additional penalty equal to one hundred percent of the unpaid taxes. ~~((RCW 84.36.385.))~~ If the change in status results in a refund of property taxes, the treasurer may refund property taxes and interest for up to the most recent three years after the taxes were due as provided in ~~((chapter 84.69))~~ RCW 84.69.030.

(f) **Loss of the exemption.** As provided in RCW 84.40.360, if the change in status disqualifies the applicant for the exemption, property taxes must be recalculated based ~~((upon))~~ on the current full assessed value of the property and paid from the date the change in status occurred. ~~((RCW 84.40.360.))~~

For example, the exemption is lost when the claimant dies, ~~((+))~~ unless the spouse or domestic partner ~~((is))~~ also ~~((qualified))~~ qualifies. The property taxes are then recalculated ~~((to))~~ based on the full assessed ~~((amount))~~ value of the principal residence, on a

pro rata basis, beginning the day following the date of the claimant's death ~~((for))~~ through the remainder of the year.

(g) **Loss of exemption on part of the property.** If ~~((the))~~ a change in status ~~((removes))~~ results in the removal of a portion of the property from the exemption, property taxes ~~((in their full amount))~~ on that portion ~~((of the property that is))~~ are no longer exempt and must be recalculated based ~~((upon))~~ on the current full assessed value of that portion of the property and paid from the date the change in status occurred.

For example, a property owner subdivides ~~((his or her))~~ their one-acre lot into two parcels. The parcel that does not have the principal residence built ~~((upon))~~ on it will no longer ~~((qualifies))~~ qualify for the exemption. The property taxes are then recalculated ~~((to))~~ based on the full assessed ~~((amount))~~ value of that parcel on a pro rata basis for the remainder of the year beginning the day following the date the subdivision was given final approval.

(h) **Exemption reduced.** If the change in ~~((status))~~ income reduces the exemption amount, the increased property taxes are due in the year following the change in income. For example, a claimant's income rises so that only excess levies and the state property tax levy imposed under RCW 84.52.065(2) on the principal residence are exempt. The claimant's income is based ~~((upon))~~ on the assessment year. In the following year when the taxes are collected, the property taxes due ~~((are))~~ will be calculated with only an exemption for excess levies and an exemption for the state property tax levy imposed under RCW 84.52.065(2).

(4) **Renewal application.** The county assessor must notify claimants when to file a renewal application with updated supporting documentation.

(a) **Notice to renew.** Written notice must be sent by the assessor and must be mailed at least three weeks in advance of the expected ~~((taxpayer))~~ claimant response date.

(b) **When to renew.** The assessor must request a renewal application at least once every six years. The assessor may request a renewal application for any year the income requirements are amended in the statute after the exemption is granted.

(c) **Processing renewal applications.** Renewal applications are processed in the same manner as the initial application.

(d) **The renewal application form.** The county assessor may design the renewal application form or adapt either its own application form or the application master form obtained from the department. The county must obtain approval of the final renewal application form from the department before it may be distributed and used, and must also obtain authorization from the department if providing an option to file by electronic means. The property owner must use a renewal form from the county where the principal residence is located. The claimant must provide true and accurate information on the renewal application form.

(e) **Obtaining the ~~((form))~~ renewal application.** The assessor provides ~~((this))~~ the renewal application, in either paper or electronic form, to senior citizens, disabled persons, or ~~((one hundred percent))~~ disabled veterans claiming the exemption ~~((when requesting renewal)).~~

(f) **Failure to submit the renewal application.** If the property owner fails to submit the renewal application ~~((form)),~~ the exemption is discontinued until the claimant reapplies for the ~~((program))~~ exemption. The assessor may postpone collection activities and continue to work with an eligible claimant to complete an application for a missed period.

(5) **Transfer of the exemption.** When a claimant moves to a replacement residence, ~~((the claimant))~~ they must file a change in status form with the ~~((county))~~ assessor in the county where ~~((his or her))~~ their former principal residence was located. No claimant may receive an exemption on more than the equivalent of one residence in any year.

(a) **Exemption on the former residence.** The exemption on the former residence ~~((applies to))~~ will apply through the closing date ~~((on))~~ of the sale of the former residence, provided ~~((the claimant lived in))~~ the former residence ~~((for most of the portion of that year))~~ was the claimant's principal residence prior to the date of closing. Property taxes ~~((in their full amount))~~ must be recalculated based ~~((upon))~~ on the current full assessed value of the property and paid from the day following the date the sale closed. The taxes are paid for the remaining portion of the year. ~~((RCW 84.40.360.))~~

(b) **Exemption ~~((upon))~~ on the replacement residence.** Upon moving, the claimant must reapply for the exemption in the county where the replacement residence is located if the claimant wants to continue ~~((in))~~ receiving the exemption ~~((program))~~. The same application, supporting documents, and application process is used for the exemption on the replacement residence as when a claimant first applies. ~~((See WAC 458-16A-135.))~~ The exemption on the replacement residence applies on a pro rata basis in the year ~~((he or she))~~ the claimant moves, but only from the latter of the date the claimant moves into the new principal residence or the day following the date the sale closes on ~~((his or her previous))~~ their former residence.