Property Tax Relief Programs for Individuals

Course Manual
August 2018

Department of Revenue
Washington State

www.dor.wa.gov

Table of Contents

Section I Introduction And Overview.....2

Section II Senior Citizen And Disabled Persons Exemption Program.....17

Section III Senior Citizen And Disabled Persons Deferral Program.....54

Section IV Deferral Program for Homeowners with Limited Income 73

Section V Grant Assistance Program for Widows/Widowers of Veterans 91

Section VI Residency And Ownership 99

Section VII Documentation And Records Retention.....111

Section VIII Combined Disposable Income 115

Section IX Frequently Asked Questions.....161

Section X Reference Section – Internet Links, PTA's, BTA Cases, Etc. 183

Section XI Recent Legislation And Rule Changes.....191

Section XII Forms and Publications 193

Section I

Introduction and Overview

INTRODUCTION

The State of Washington has four programs to assist individual homeowners with payment of property taxes and/or special assessments.

- *Property Tax Exemption Program for Senior Citizens and Disabled Persons*
- *Property Tax and Special Assessment Deferral Program for Senior Citizens and Disabled Persons*
- *Property Tax Deferral Program for Homeowners with Limited Income*
- *Grant Assistance Program for Widows and Widowers of Veterans*

This manual has been prepared to serve as a training guide for those who administer these programs and it is intended for practical use. Every attempt has been made to cover the majority of the general laws, rules, duties, procedures, forms in general use, and miscellaneous information which is pertinent to the Assessors in Washington when administering the property tax relief programs for individuals.

FOR GENERAL INFORMATION pertinent to laws or rules governing these programs, refer to the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC).

FOR ASSISTANCE OR ADVICE concerning problems that may arise in the assessor's office, contact the Property Tax Division, Department of Revenue, 6400 Linderson Way Southwest, Suite 200A, Tumwater, Washington 98512. Telephone (360) 534-1400.

Property Tax Resource Center (PTRC)

2018 Property Tax Calendar

Education Section - Training Calendar

PROGRAM REQUIREMENTS

PROGRAM	AGE/DISABILITY	RESIDENCY	INCOME	ALLOWABLE DEDUCTIONS	APPLICATION YEAR	PROGRAM BENEFITS
Property Tax Exemption Application form # 64-0002 Renewal form # 64-0020	61 years of age by December 31 of filing/assessment year OR disabled and unable to pursue gainful employment OR a veteran entitled to and receiving VA disability at a total disability rating for a service-connected disability OR surviving spouse or domestic partner who is 57 years or older in the year of death.	Must occupy property as principal place of residence. Must own "in fee", by contract purchase, or by life estate. *Lease for life or cooperative housing may qualify. No provision for ownership through a trust. Trusts MAY qualify as "life estate" under WAC 458-16A-100(21).*	$40,000 CDI for 2016 taxes and forward $35,000 CDI for 2015 taxes and prior CDI is defined in RCW 84.36.383	Non-reimbursed costs for: *care received at home, or in a nursing, boarding, or adult family home; *prescription drugs; *Medicare Title XVIII insurance premiums	Same as assessment year; i.e., application due 12/31/2018 for tax relief in 2019	Freezes value as of 01/01/1995 or 01/01 of assessment year in which applicant first qualifies. Exempt from excess levies and Part 2 of state school levy. $-0- to $30,000 - exempt from regular property tax on greater of $60,000 or 60% of value. $30,001 to $35,000 – exempt from regular property tax on greater of $50,000 or 35% of value, not to exceed $70,000. $35,001 to $40,000 – exempt on excess levies only.
Leasehold Tax Credit Application form # 64-0082 Worksheet # 86-0072	SAME	Leased property owned by a government entity and used as a primary residence.	SAME	SAME	SAME	Same percentage of exemption as for real property tax exemption - calculated using average levy rates by county for the previous year.
Deferral for Senior Citizens and Disabled Persons Application form # 64-0011 Renewal form # 64-0019	60 years of age by December 31 of filing year OR disabled and unable to pursue gainful employment OR surviving spouse or domestic partner who is 57 years or older in the year of death.	Must occupy property as principal place of residence. Must own "in fee" or by contract purchase. *Life estate, lease for life, cooperative housing and revocable trusts do not qualify.*	$45,000 CDI RCW 84.36.383 (If income is $40,000 or less, applicant must file for exemption.)	SAME	Application year is the year the tax or assessment is due. Income from the preceding year used to determine eligibility. Application due 30 days before tax due date – late applications okay.	Payment of property taxes and special assessments, including prior years if requested.

Deferral for Homeowners with Limited Income Application form # 64-0105 Renewal form # 64-0025	No age or disability requirement.	Must occupy as principal residence as of 01/01 of application year. Must have owned for 5 years – "in fee" or by contract purchase. *Life estate, lease for life, cooperative housing and revocable trusts do not qualify.*	$57,000 CDI RCW 84.36.383	SAME	Application year is the year the tax/special assessment is due. Income from the preceding year is used to determine eligibility. Application due by **September 1**. Only waived for "*good cause*".	Payment of 2nd half property taxes and special assessments billed on annual tax statement and due on October 31 – current year only.
Widow or Widower of Qualifying Veteran Application form # 63-0023	62 years old by December 31 of filing year OR disabled and unable to pursue gainful employment.	Must occupy property as principal place of residence. Must own "in fee" or by contract purchase. *Life estate, lease for life, cooperative housing and revocable trusts do not qualify.*	$40,000 CDI as defined in RCW 84.36.383	SAME	Application year is the year the tax is due. Income from preceding year used to determine eligibility. Application due 30 days before tax due date – late applications okay.	Pays regular and excess property tax due on difference between taxable value exempted under the Exemption Program and the first: • $100,000 of value for CDI of $-0- to $30,000. • $75,000 of value for CDI of $30,001 to $35,000. • $50,000 of value for CDI of $35,001 to $40,000.
Homes for the Aging Income Eligibility Application form # 64-0043	61 years old by December 31 of filing year OR surviving spouse or domestic partner who is 57 years or older OR disabled and unable to pursue gainful employment.	Resident of a non-profit Home for the Aging as of January 1 of the assessment year.	Fluctuates each year based on median income as determined by DOR – Uses RCW 84.36.041	See RCW 84.36.041 – only allowable costs are in-home care or treatment in a nursing home	Application year is the same as the assessment year. Income verification forms must be submitted to the assessor's office by **July 1** of the assessment year.	Non-profit exemption applies to pro-rated portion of the property occupied by eligible residents.

Current Statistics for Individual Benefit Programs

2017 Calendar Year	Exemption**	Deferral – Sen/Dis	Deferral – LI	Grant – W/W
Active Participants	106,699	1,239	169	30
Relief Provided	$172,294,657	$1,110,746	$149,184	$4,758
Accounts Receivable as of 06/30/2018	N/A	$13,814,869	$844,854	N/A

**** The number of active participants and the amount of relief provided are estimates. Final numbers were not available when this manual was published.**

. Senior and Disabled Person Property Tax Relief Programs
Research Division Data Uses

- Legislative Analysis
    - Number of applicants - how many will be affected
    - How many could be affected

- Calculate Fiscal Impact of Program
    - Shift in taxes
    - Affect on other property owners in the county
    - Affect on the state levy
    - Affect on local rates

- Outside Requests
    - Local governments

- Reports
    - Property Tax Statistics
    - Tax Exemptions Report
    - Tax Reference Manual

- Concerns
    - Uniformity among counties
    - Updated valuations
    - Reliability of data

Links to Property Tax Statistics

Summary of Senior Citizen Property Tax Relief, 1990-2016

Table 18 - Impact of Senior Property Tax Relief – Impact on Levies Due in 2015

Property Tax Statistics

Property Tax Statistics 2017

Property Tax Statistics 2018

Links to Property Tax Information and History

DOR Publications
http://propertytax.dor.wa.gov/Aspx/Publications.aspx

Legislation Summaries
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
2007
2006

Courtesy of King County Assessor
http://www.kingcounty.gov/~/media/depts/assessor/documents/AnnualReports/PropTaxHistory.ashx?la=en

HISTORY OF THE SENIOR CITIZEN AND DISABLED PERSONS PROPERTY TAX RELIEF PROGRAMS

1965 Constitution amended to allow property tax relief for retired homeowners (HJR 7, approved November 1966).

1967 Senior citizen exemption set at $50, must live in residence for 5 years, or 1 year if a 10-year resident, be 65 if male and 62 if female, and have combined income of $3,000.

1971 $50 senior citizen exemption replaced by exemption from special levies: Income of $4,000 = 100% exemption; income from $4,001 to $6,000 = 50% exemption. Must live in residence 2 years, or 1 year if a 3-year resident. Exemption limited to 1 acre.

1972 Residence must only be occupied on January 1st if a 3-year resident. Mobile homes added. Only 2/3 of social security income counted.

1973 Only 2/3 of federal civil service retirement and railroad retirement pensions counted.

1974 For special levies, income of $5,000 = 100% exempt; $5,001 to $6,000 = 50% exempt; for regular levies, incomes $4,000 exempt on first $5,000 of residential value. Age changed to 62 or older on January 1 in the year the taxes were due.

1975 Senior citizens with income of $8,000 may <u>defer</u> taxes beginning in 1976. Income for deferral program indexed to CPI after 1976.

1977 Senior citizen exemption income limits increased by $2,000.

1979 Households with incomes of $11,000 exempt from all special levies; those with incomes of $7,000 exempt from regular levies on first $15,000 value of residence. Eligibility for occupying residence for 2 years and 3-year resident requirement removed. Life estates added. Surviving spouse qualifies if 57 years old. Confinement to a nursing home does not disqualify.

1980 Disposable income defined. 1/3 exclusion for Social Security is eliminated, but income levels are increased by $3,000 to $14,000 for special levies and to $10,000 for regular levies; leases for life added.

1983 For 1984, maximum income increased to $15,000, regular levy residential value exemption increased to $20,000; starting in 1985, two-step regular levy exemption depending upon income: If income is $9,001 to $12,000, exemption = $20,000 or 30% of valuation, not to exceed $40,000; if income is $9,000 or less, exemption = $25,000 or 50% of valuation. Nursing home care costs added as allowable deduction and military & veteran benefit payments for attendant-care medical-aid not counted. One-time application instituted.

1984 Eligibility for the deferral program tied to eligibility for exemption program.

1987 For 1989, maximum income increased to $18,000; Regular levy valuation exemption amounts increased: if income is $12,001 to $14,000, exemption = $24,000 or 30% of valuation, not to exceed $40,000; if income is $12,000 or less, exemption = $28,000 or 50% of valuation.

1991 For 1991, eligible income level for deferral increased to $30,000. For 1992, maximum income for exemption increased to $26,000; Regular levy valuation exemption amounts increased: if income is $15,001 to $18,000, exemption = $30,000 or 30% of valuation, not to exceed $50,000; if income is $15,000 or less, exemption = $34,000 or 50% of valuation. Capital gains from the sale of the residence excluded from income and in-home care expenses added as allowable deduction.

1992 Income verification required. Renewal applications required every 4 years and may be required by assessors upon change in income limits. Disposable income of person widowed in preceding year based on retirement income after death of spouse.

1993 Exemption not lost if the residence is rented for the purposes of paying hospital or nursing home costs.

1995 For 1996, eligible income for exemption increased to $28,000 and prescription drug costs are deductible. Use of current year income instead of preceding year income. Valuation is frozen at the assessed value on January 1, 1995, or January 1 of the year the person first qualifies, whichever is later. Eligible income for deferral program is increased to $34,000 and taxes on up to 5 acres may be deferred if zoning/land use requires larger size.

1998 For 1999, maximum income for exemption increased to $30,000; Regular levy valuation exemption amounts increased: if income is $18,001 to $24,000, exemption = $40,000 or 35% of valuation, not to exceed $60,000; if income is $18,000 or less, exemption = $50,000 or 60% of valuation. Vetoed was an extension of the exemption program to 5 acres if zoning/land use required a larger size, a deduction for health care insurance payments, and an exclusion of veterans' benefits for disabilities related to military duty.

2003 Amended RCW 84.36.387 to change reference making filings under the penalty of perjury. The law now references chapter 9A.72 RCW for perjury offenses. (SB 5758)

2004 Beginning in 2005, maximum income threshold for exemption increased to $35,000; Regular levy valuation income thresholds and exemption levels increased: if income is $25,001 to $30,000, exemption = $50,000 or 35% of valuation, not to exceed $70,000; if income is $25,000 or less, exemption = $60,000 or 60% of valuation. Income threshold for deferral program is increased to $40,000. Persons may reside in an adult family home or an assisted living facility (boarding home) that provides specialized care without losing property tax relief. Assisted living facility (boarding home) or adult family home costs and Medicare insurance premiums under Title XVII may be deducted from income beginning with 2004 income year. Disability tied to federal social security definition. (HB 5034)

2005 Exemption extended to veterans of any age with 100% service-connected disability (HB 1019). New program to provide property tax assistance in form of grant to senior/disabled widows and widowers of qualifying veterans – to be administered by DOR. Widow/widower must be 62 or disabled in filing year; must not have remarried; must own/occupy residence, income $40,000 or less; veteran died of service-connected disability OR was 100% disabled per VA for 10 years prior to death OR was 100% disabled per VA for 1 year prior to death and a former POW OR died in active duty or training status (HB 1509).

2006 Effective in 2007, exemption program and grant assistance program limitation on parcel size extended to include up to 5 acres if local zoning and land use regulations require the larger parcel size (SB 6338). Interest rate on deferrals for senior citizens and disabled persons was reduced to 5% for deferrals made on or after January 1, 2007 (SHB 2569).

2007 Acceptable signatures for Proof of Disability include certified physician assistants and certified osteopathic physician assistants (HB 1966). In 2007 Special Session, created new deferral program for homeowners with limited income – county assessors approve/deny – DOR administers payments/receivables. No age or disability requirement; income limit is $57,000; must own home for at least 5 years and occupy as of January 1 of application year; deferral limited to 2nd half tax and first half must already be paid; limited to 40% of applicant's equity (SB 6178).

2008 For 2008 income to qualify for 2009 property tax relief, excluded veterans benefits and dependency indemnity compensation – DIC - paid by Veterans Administration (SSB 5256). Expanded rights and responsibilities of "domestic partners" – to be treated as "spouse" or "surviving spouse" for exemption and deferral programs – applies to exemptions and deferrals but not grant assistance program (2SHB 3104).

2009 E2SHB 1208 **–** This legislation changed the way refunds are administered. Prior to passage, applicants could request refund of taxes within three years of the date the taxes were paid. Effective July 26, 2009, refunds must be submitted within three years of the date the taxes were due.

E2SSB 5688 **-** The bill provided general definitions that apply to all of Title 84 RCW and requires that the terms "spouse," "marriage," "marital," "husband," "wife," "widow," "widower," "next of kin," and "family" apply equally to state registered domestic partnerships and state registered domestic partners as well as to marital relationships and married persons. In 2008, 2SHB 3104 was enacted that provided the same rights and responsibilities for state registered domestic partners as for a spouse. However, those changes did not include all programs. By creating a general definition that applies to all of Title 84, all property tax programs that use the terms "spouse," "marriage," "marital," "husband," "wife," "widow," "widower," "next of kin," and "family" in their governing statutes must now provide the same rights and responsibilities for a state registered domestic partner as for a spouse. The effective date for this legislation is July 26, 2009.

2010 E2SHB 1597 **-** This bill changes the renewal requirement for property tax exemptions from four years to six years. The effective date is July 1, 2010.

SHB 2962 **–** This legislation allows county treasurers to accept electronic bill payments on a monthly or other type of period basis. Prepayments must be paid in full by the applicable due dates. For example, if someone makes monthly electronic bill payments on the first installment of taxes, that first installment must be paid in full by the due date – April 30. The effective date is July 1, 2009.

SB 6379 **–** For both deferral programs, terminology changed from "certificate of ownership" to "certificate of title" for manufactured homes. Requires payment of all taxes prior to transfer of ownership for a manufactured home; instructs Department of Licensing to notify assessor of change in ownership or location for any manufactured home. This bill was a technical correction bill for Department of Licensing. The corrections made should correct the statute to accurately reflect business practices and should have no real impact. The effective date is July 1, 2011.

2011 SSB 5167 – technical corrections – clarifies definition of "disabled veteran" and changes assessor requirement to notify exemption participants of requirement to renew, per 2010 legislative changes extending renewal cycle to 6 years.

HB 1649 - Legislation providing a comprehensive change to the RCW to treat "state registered domestic partner" as spouse under law, extends reciprocity to same-sex marriages formed in other jurisdictions.

2012 2ESHB 2048 temporarily increased the low income housing assistance surcharge included in fees for document recording. From July 1, 2009, through August 31, 2012, and from July 1, 2015, through June 30, 2017, the surcharge is $30.00 (total recording fee $62.00). From September 1, 2012, through June 30, 2015, the surcharge is increased to $40.00 (total recording fee $72.00).

SHB 2056 replaces the term "boarding home" with the term "assisted living facility" throughout the RCW to update the statutes to the newer terminology. The definition, nature, and licensing of these facilities did not change.

ESSB 6470 allows, for the purposes of enhancing fire protection services, a city or town to fix and impose a benefit charge on personal property and improvements to real property located in the city or town if the city or town is conducting an annexation of, or has annexed since 2006, all or part of a fire protection district. The bill provides for a partial exemption for taxpayers who qualify for exemption under RCW 84.36.381.

2013 EHB 1421 clarifies existing language to protect the state's interest in collecting deferred property taxes and special assessments and grants the Department authority to charge off past-due deferrals when they are deemed uncollectible. Proceeds from the sale of property acquired by a county due to property tax foreclosure (tax title property) must first be applied to reimburse the county for foreclosure and sale costs and then to pay the

Department for taxes deferred under the senior and limited-income property tax deferral programs. The Department may charge off past-due obligations from the senior and limited-income deferral programs as uncollectible if the Department determines that there are no cost-effective means of collecting the amounts due.

EHB 1493 allows the landlord of a manufactured/mobile home park to submit a signed affidavit to the county assessor to seek removal of any outstanding taxes, penalties, and interest under specific circumstances. The affidavit must indicate that the landlord has taken ownership of a manufactured/mobile home with the intent to resell or rent. The manufactured/mobile home must have been abandoned or awarded to the landlord as part of a final court judgment for restitution of the premises, and the title must have been transferred to the landlord. In addition, the most current assessed value of the manufactured/mobile home must be less than $8,000. The county treasurer, after notification by the county assessor, must remove from the tax rolls any outstanding taxes, interest, and penalties on the manufactured/mobile home or park model trailer. After outstanding taxes, interest, and penalties are removed from the tax rolls, all future taxes are the responsibility of the owner of the manufactured/mobile home.

HB 1576 authorizes assessors to use electronic means to send assessments, notices, or other information that they would otherwise be required to send, or would customarily send, by regular mail. To send notice electronically assessors must receive authorization from the recipient and use methods reasonably designed to protect confidential information. Information obtained by the assessor for providing electronic notice and protecting taxpayer information, such as taxpayer e-mail addresses, waivers, or passwords, is not subject to disclosure under the Public Records Act.

SSB 5444 eliminates the requirement for assessors to determine the value of publicly owned property that is not subject to property tax. This bill also eliminates the credit for certain leasehold interests for the amount that the leasehold excise tax exceeds the property tax applicable if the property were privately owned. However, the leasehold excise tax credit for taxpayers who qualify for property tax exemption as a senior citizen or disabled person still applies.

SSB 5705 allows the county treasurer to authorize payment of past due property taxes, penalties, and interest on a monthly basis by electronic funds transfer. If a taxpayer is successfully participating in a payment agreement, the county treasurer may not assess additional penalties on delinquent taxes included in the payment agreement. Payments on past due taxes must include collection of taxes, including interest, from the oldest delinquent year within a 12-month period. A county treasurer may add a delinquent tax collection charge for costs incurred by the treasurer. A county treasurer may assess and collect tax foreclosure avoidance costs. Tax foreclosure avoidance costs are defined to include certain costs specifically identified with the administration of properties subject to, and prior to, foreclosure. Proceeds from the collection of tax foreclosure avoidance costs must generally be credited to the county treasurer service fund.

2014 2ESHB 1117 allows the transfer of real property by a “transfer on death” deed which

takes effect upon the grantor's death. A "transfer on death" (TOD) deed must contain essential elements a deed, must state that transfer is to occur at the transferor's death, and must be recorded prior to the transferor's death. A TOD deed is revocable during transferor's lifetime and beneficiaries have no interest in the property until the TOD deed takes effect at the transferor's death. A certified copy of the death certificate is recorded to perfect title. Beneficiaries need not be notified of the pending interest during the transferor's lifetime in order for the TOD deed to be effective. At the transferor's death, the transferor's interest in the property passes automatically to the beneficiary, subject to applicable taxes and all other interests in the property including liens, mortgages, and other encumbrances. Beneficiaries may disclaim the interest if they do so in writing within nine months of the interest becoming effective. If the beneficiary fails to survive the transferor, the interest lapses. This bill takes effect June 12, 2014.

HB 2446 simplifies procedures for obtaining a property tax refund. This bill relieves property owners of the necessity to file a claim for refund when the refund is the result of a Board of Equalization, State Board of Tax Appeals, or Court decision, or decisions made by the county treasurer or assessor within 3 years of the tax due date. The refund can also be made without a claim when the county assessor or Department of Revenue approves a property tax exemption authorized under chapter 84.36 RCW within 3 years of the tax due date. This bill takes effect June 12, 2014.

ESSB 5875 amends RCW 36.22.179 and provides that the local homeless housing and assistance surcharge no longer applies to documents recording a state, county, or city lien or satisfaction of lien.

SSB 6333 includes technical corrections for clarification. **Section 407** (RCW 84.40.038) - In addition to the July 1 and 30 days after mailing deadlines, a taxpayer can appeal a decision 30 days after information was transmitted or made available electronically to be accessed. This bill takes effect June 12, 2014.

2015 HB 2195 increases the Washington state heritage center surcharge included in recording fees from $2 to $3. Total fees for recording deferral liens/releases will increase from $32 to $33. Effective October 9, 2015.

SSB 5186 provides that all combined disposable income thresholds are increased by $5,000 for the Property Tax Exemption Program for Senior Citizens and Disabled Persons and for the Property Tax Deferral Program for Senior Citizens and Disabled Persons. The increase is effective for the 2015 income year and for taxes levied for collection in 2016 and forward.

SSB 5275 provides tax statute clarifications, simplifications, and technical corrections to existing laws to clarify statutes and/or improve the tax administration. Sections 102 through 104 update language related to annual revaluation and 6-year re-inspection cycle. Sections 312 through 314 clarify that "disability" is not only "physical". Sections 315 and 316 clarify that deferral balances included on a Certificate of Delinquency need not be collected when the property is not sold and deferral amounts have not become payable under RCW's 84.37.080 and 84.38.130. Effective date July 24, 2015.

SSB 5276 allows county legislative authorities to authorize a refund on a claim filed more than three years after the payment due date if the claim is for taxes paid as a result of a manifest error in the description of the property. The purpose is to provide an avenue for taxpayers to request a refund when manifest errors, which are corrections without the need of appraisal judgment, are discovered more than three years after the due date of the tax. Effective date July 24, 2015.

SB 5768 provides clear authority for county treasurers to use electronic media, including the internet, and electronic funds transfers to conduct public auctions of county-owned property, and privately-owned real or personal property seized or foreclosed upon for delinquent taxes. Effective date July 24, 2015.

2016 SHB 2519 authorizes cities and towns to levy special assessments against property for the expense of abating a nuisance, which threatens health or safety. The special assessment constitutes a lien against the property, where up to $2,000 of the lien is of equal rank with state, county, and municipal taxes.

SSB 5767 revises the authority of county treasurers to accept electronic payments and charge transaction processing costs to the payer with certain exceptions. Electronic communication transaction fees may also be absorbed within the treasurer's banking services budget. The bill further updates and clarifies guidelines for duplicating lost or destroyed warrants.

SSB 6337 requires that when a county does not purchase a tax title property for public purpose, the county must notify the city in which any tax title property is located and provide the city first opportunity to purchase the property for affordable housing development. The purchase price must be the original minimum bid amount offered at the foreclosure sale (which includes all unpaid taxes, assessments, deferred tax amounts, penalty and interest) plus any direct costs incurred by the county in the sale of the property.

2017 HB 1283 removes the requirement for taxpayers to pay advance tax on real property before recording a division, alteration, or adjustment to real property boundary lines. Effective July 23, 2017.

ESHB 1594 relates to improvement of public records administration. Provides for an additional one dollar per instrument surcharge. Lien recording fee for state documents related to real estate will be thirty-four dollars ($34.00) effective July 23, 2017.

EHB 1648 relates to administrative efficiencies for treasurers. When real property taxes are paid by a bank, the tax and levy information published on the treasurer's website meets the notification requirement. Use of electronic billing and payment are at the taxpayer's discretion. Treasurers may accept partial payment of current or delinquent taxes and payment plans or agreements are at the treasurer's discretion. The term "tax foreclosure avoidance costs" is amended and narrowed to include only "direct costs"

incurred in administration of properties subject to and prior to foreclosure. When real property is sold and no instrument is recorded, the REET submitted to DOR may be signed electronically. Effective July 23, 2017.

HB 2242 creates a Part 2 of the state school levy. Changes the maximum rate from $3.60 to $2.70 for 2019-2022 tax years, reverting back to $3.60 for 2023 and forward. Taxpayers who qualify for exemption under RCW 84.36.379 through 84.36.389 are fully exempt from the new Part 2 levy. Maintenance and Operation (M & O) levies renamed to Enrichment levies and limits Enrichment levies to the lesser of $1.50 or the maximum per pupil limit. Effective for taxes levied for collection in 2018 and thereafter.

SSB 5977 provides for a Leasehold Excise Tax for a leasehold interest in real property owned by a state university when the tax parcel subject to the leasehold interest has a market value in excess of ten million dollars. Section 1302 of the bill amends RCW 82.29A.120, which also allows a Leasehold Excise Tax credit for lessees and sublessees who would qualify for a property tax exemption under RCW 84.36.381 if the property were privately owned. Under SSB 5947, this entire code section expires January 1, 2032. Unless there is a technical correction or the credit is extended, the LET credit for senior citizens and disabled persons will also expire as of January 1, 2032. Section 1302 takes effect January 1, 2022.

2018 HB 2578 increases Affordable Housing for All surcharge from $10 to $13, increasing lien filing fees from $34 to $37. Effective June 7, 2018.

SHB 2597 extends the exemption to local property tax levies when the city or county has approved the action by identifying the tax exemption in the ordinance placing the measure on the ballot. Effective June 7, 2018.

Section II

Senior Citizen and Disabled Persons Exemption Program

SENIOR CITIZEN / DISABLED PERSONS PROPERTY TAX EXEMPTION PROGRAM

INTRODUCTION

The purpose of the exemption program is to allow senior citizens and/or disabled persons the ability to remain in their homes in spite of rising property taxes. The exemption program "freezes" the assessed value of the applicant's primary residence and reduces the tax amount due based on the applicant's level of income. The exemption program reduces the property tax liability of the applicant; the applicant does not have to repay these taxes. The exemption results in a tax shift to other taxpayers. The statutes and rules for this program can be found in RCW 84.36.379 through RCW 84.36.389 and WAC 458-16A-100 through WAC 458-16A-150.

THE APPLICANT

Only one person in the household must meet the age/disability requirement and this person is the applicant. See RCW 84.36.381 and WAC 458-16A-130.

AGE AND DISABILITY REQUIREMENTS

The applicant must be at least 61 by December 31 of the assessment year. The assessment year is the year before the tax is due.

- OR -

The applicant must be disabled. A disabled person may be any age and must be disabled at the time of filing (when the application was due – 12/31 of the assessment year). The definition of disability in RCW 84.36.383(7) has been linked to the definition used for Social Security purposes (U.S.C. Sec. 423(d)(1)(A)). The disability must be such that the applicant is unable to pursue substantial gainful employment and the condition must either be expected to result in death or must have lasted, or be expected to last, for a continuous period of at least 12 months. The disability need not be permanent. Annually, the Social Security Administration determines the amount a claimant may earn without being considered "gainfully employed". There are separate limits for those who are blind. You can find annual limits for allowable earned income in the Disposable Income section of this manual or at the Social Security website at Substantial Gainful Activity.

- OR -

The applicant must be a veteran of the armed forces of the United States entitled to and receiving compensation from the United States Department of Veterans' Affairs at a total disability rating for a service-connected disability. Veterans are men and women who served in the U.S. Armed

Forces during World War II, the Korean War, the Vietnam War era, the Gulf War era, and all other service periods. A service-connected disability is a health condition or impairment caused or made worse by military service. A veteran who meets this eligibility requirement does NOT have to meet the Social Security definition of "disabled".

- OR -

The applicant must be the surviving spouse or domestic partner of someone who was receiving the exemption at the time of his or her death. The surviving spouse or domestic partner must apply to continue the exemption, must have been at least 57 years old in the calendar year the claimant dies, and must otherwise qualify for the program.

OWNERSHIP REQUIREMENTS

The residence must be owned by the applicant at the time the application is filed, or should have been filed. This means the applicant must have had an ownership interest in the property as of December 31 of the assessment year for tax relief in the following year. See RCW 84.36.381(2) and WAC 458-16A-130(4).

Qualifying ownership includes fee simple, contract purchase, life estate and lease for life.

There is no provision for ownership through a trust, however, a trust may meet the ownership requirement if it creates a life estate for the applicant. See WAC 458-16A-100(21) for the definition of "life estate". For more detail, see the "Ownership and Residency" section of this manual.

If the assessor's records do not show the applicant as the owner, the applicant must provide copies of documents showing ownership. See WAC 458-16A-135(5). For example, if the applicant is the heir of someone who passed away and the probate has not been completed, the applicant must provide copies of the deceased owner's death certificate and Last Will and Testament naming the applicant as the heir. Another common example is when the property is owned by a trust. For this program there is no provision for ownership through a trust, therefore, the applicant must provide a copy of the pertinent parts of the trust illustrating that the trust language conveys a life estate ownership interest to the applicant, as defined in WAC 458-16A-100(21).

PRINCIPAL RESIDENCE

RCW 84.36.381 says the "property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of the time of filing." Since the "time of filing" is the date the application was due, this means the applicant must have occupied the residence as of December 31 of the assessment year, the year before the taxes are actually due.

WAC 458-16A-100(25) says that "principal residence" means the claimant owns and occupies the residence as his or her principal or main residence. It does not include a residence used merely as a vacation home. For purposes of continuing this exemption, the claimant must occupy the residence for more than six months each year going forward.

WAC 458-16A-135(5) says that a claimant **must** present documents deemed necessary by the Assessor to demonstrate that the claimant is eligible for the exemption, including documents demonstrating that the property is the claimant's principle residence and that the claimant has a qualifying ownership interest.

Typical documents used to demonstrate that the property is the claimant's principle residence include copies of a driver's license, or other state identification card, and a voter's registration card.

Confinement to a hospital, nursing home, assisted living facility (boarding home), or adult family home will not disqualify the applicant when the principal residence is:

- temporarily unoccupied;
- occupied by the spouse or domestic partner, or another person who is financially dependent on the applicant;
- occupied by a caretaker who is not paid for watching the house; **or**
- rented for the purpose of offsetting the costs of the facility.

The Department of Social and Health Services maintains a list of licensed facilities (hospitals, nursing homes, assisted living facilities or boarding homes, and adult family homes) on their website at http://www.aasa.dshs.wa.gov/pubinfo/housing/other/.

What is "temporarily unoccupied"?

The Department opinion on this issue is that "Senior citizens always intend to return home regardless of the length of time they are incarcerated in a hospital, assisted living facility (boarding home), adult family home or nursing home."

Notice – there is nothing in law or rule saying that the stay in the facility must be temporary. The only use of the word "temporary" is in reference to the status of the residence, i.e. "temporarily unoccupied".

This means that the word "temporary" is not even a consideration if the residence is occupied by the spouse or domestic partner, or another person who is financially dependent on the applicant; occupied by a caretaker who is not paid for watching the house; or rented for the purpose of offsetting the costs of the facility.

In the case where the residence is "temporarily unoccupied", there is no specific definition in the law about the upper range of "temporarily" or when the line is crossed and "temporarily unoccupied" becomes "permanent".

Our staff attorney found that in federal and state court cases it appears that "intent" has been held to be the real determinant in other states. Does the occupant of the residence "intend" to return to the exempt residence?

If the residence is unoccupied and there is a clear situation where the senior/disabled **participant** specifically expresses the intent to not return to the residence even when/if they are able, then the property would no longer qualify for the exemption.

THE RESIDENCE

The exemption applies to the primary residence of the applicant and one acre of land surrounding the residence, or, up to five acres if the excess acreage is required by local land use regulations – RCW 84.36.383(1) and WAC 458-16A-100(29). To receive an exemption for more than one acre surrounding the residence, the larger parcel size must be required under local land use regulations.

The residence may be a single-family dwelling, one unit of a multi-unit dwelling, cooperative housing, or a mobile home.

If the residence is a share ownership in a cooperative housing association, cooperative housing corporation, or cooperative housing partnership, the person claiming exemption must establish that his or her share interest in the cooperative housing entity represents the specific unit or portion of the structure in which he or she resides.

Manufactured homes

Applying the exemption correctly to manufactured homes may require administrative seg

Prior to title eliminations, in order to correctly apply the exemption, you may need to create an administrative parcel for "taxing purposes only" and then apply the exemption. You can move the manufactured home value to the land parcel and flag the personal property account as “inactive” until the exemption is removed. This will ensure that the taxpayer receives the full exemption to which he/she is entitled, at the same time preventing a “double” exemption on two accounts.

Which manufactured homes and trailers meet the definition of “residence”?

In order to meet the “residence” definition under this program, a manufactured home must have substantially lost its identity as a mobile unit by being fixed in location and placed on a foundation, posts, or blocks with fixed pipe connections for sewer, water or other utilities. Whether it is listed as “real” or “personal” property on the assessment roll has no bearing, nor does the assessed value.

> **WAC 458-16A-100(29) Residence.** "Residence" means a single-family dwelling unit whether such unit be 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 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:

(c) A mobile home which has substantially lost its identity as a mobile unit by being fixed in location upon land owned or rented by the owner of said 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 mobile home is located if both the land and mobile home are owned by the same qualified claimant and it 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.

This includes “park model” homes, but not “travel trailers”. According to the following definitions, it seems like the big differences between the “travel trailer” and “park trailer” are the chassis and utility hookups. A “travel trailer” has a single chassis and is designed to be self-contained.

When making a decision, it may help to consider the intended use. A manufactured home or mobile home is intended for use as a “home”. A recreational vehicle is intended for temporary use while travelling, as opposed to staying in hotels, motels, etc.

RCW 43.22.335 Manufactured homes, mobile homes, recreational vehicles—Definitions.

(3) "Manufactured home" means a single-family dwelling required to be built in accordance with regulations adopted under the national manufactured housing construction and safety standards act of 1974 (42 U.S.C. 5401 et seq.).

(5) "Mobile home" means a factory-built dwelling built before June 15, 1976, to standards other than the national manufactured housing construction and safety standards act of 1974 (42 U.S.C. 5401 et seq.), and acceptable under applicable state codes in effect at the time of construction or introduction of the home into this state.

(6) "Park trailer" means a park trailer as defined in the American national standards institute A119.5 standard for park trailers.

(7) “Recreational vehicle” means a vehicular-type unit primarily designed for recreational camping or travel use that has its own motive power or is mounted on or towed by another vehicle. The units include travel trailers, fifth-wheel trailers, folding camping trailers, truck campers, and motor homes.

RCW 84.36.595 Motor vehicles, travel trailers, campers, and vehicles carrying exempt licenses.

(1) (b) "Travel trailer" has the meaning given in RCW 46.04.623. However, if a park trailer, as defined in RCW 46.04.622, has substantially lost its identity as a mobile unit by virtue of its being permanently sited in location and placed on a foundation of either posts or blocks with connections with sewer, water, or other utilities for the operation of installed fixtures and appliances, it will be considered real property and will be subject to ad valorem property taxation imposed in accordance with this title, including the provisions with respect to omitted property, except that a park trailer located on land not

owned by the owner of the park trailer will be subject to the personal property provisions of chapter 84.56 RCW and RCW 84.60.040.

RCW 46.04.622 Park trailer.
"Park trailer" or "park model trailer" means a travel trailer designed to be used with temporary connections to utilities necessary for operation of installed fixtures and appliances. The trailer's gross area shall not exceed four hundred square feet when in the setup mode. "Park trailer" excludes a mobile home.

RCW 46.04.623 Travel trailer.
"Travel trailer" means a trailer built on a single chassis transportable upon the public streets and highways that is designed to be used as a temporary dwelling without a permanent foundation and may be used without being connected to utilities.

What is a dwelling unit?

Short answer...

A dwelling unit should have space for living, sleeping, and cooking at the very least. That does not mean there has to be separate rooms and there is no requirement in law for water, sewer, and electricity. Conceivably, a dwelling unit could be one room with a chair, a bed, and a woodstove for heat and cooking.

Long answer...

On this one, we really have to go to the definition of a "residence" and this is one of those situations where "it depends" on the specific circumstances. In the end, this one is really going to boil down to a judgment call on your part, balancing ensuring that each eligible applicant receives the property tax relief to which he/she is entitled, while not applying the benefit of the exemption to land and buildings that should not be included.

The Department's long-standing policy in the past, since at least 1980, has been to advise that a "residence" includes the following.

> "improvements typically found on a residential parcel be included in the exemption including (but not limited to) detached garages, wood sheds, pump houses, outhouses, a swimming pool… The key question here is – what is typical for your area?"

The preceding excerpt is taken from a 1980 memo. Notice the reference to the word "outhouses"... Granted, the memo is from 1980 but even in 1980 most folks had indoor plumbing. The logical conclusion based on this memo is that there really is no requirement for a "residence" to have running water, indoor plumbing, or even electricity.

In the case of the senior/disabled exemption, we fall back on the definitions of “residence”, “principal residence”, and “family dwelling unit” found in WAC 458-16A-100.

> **(28) Residence.** "Residence" means a single-family dwelling unit whether such unit be 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 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, cooperative housing corporation, or cooperative housing partnership if the person claiming exemption can establish that his or her share represents the specific unit or portion of such structure in which he or she resides.
>
> (b) A single-family dwelling situated upon leased lands and upon 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 land owned or rented by the owner of said 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 mobile home is located if both the land and mobile home are owned by the same qualified claimant and it 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.
>
> **(25) Principal residence.** "Principal residence" means the claimant owns and occupies the residence as his or her 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 months each year.
>
> **(17) 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.

So, based on the rules for this program, the “residence” has to be a noncommercial housekeeping unit occupied by a single family. Now, all we have to do is define “housekeeping unit”!

The following are definitions for “dwelling unit” from the State Fire Protection section of the RCW and from a Georgia Superior Court case.

> RCW 43.44.110(5)(a) "Dwelling unit" means a single unit providing complete, independent living facilities for one or more persons including permanent provisions for living, sleeping, eating, cooking, and sanitation; (State Fire Protection)

> "Dwelling unit" is defined as one or more rooms including kitchen designed as a unit for occupancy by one family for the purpose of cooking, living and sleeping. Greene County v. N. Shore Resort, 238 Ga. App. 236, 237 (Ga. Ct. App. 1999) (definitions.uslegal.com)

Based on those definitions, the "housekeeping unit" must include provisions for living, sleeping, and cooking at the very least. It is possible that "sanitation" could be covered by the "outhouse" facility.

Also, in our opinion, under the laws and rules governing the exemption program, there is no requirement that the dwelling structure be permitted. Although it is certainly preferable for property owners to obtain legally required permits and live in a home with modern conveniences, the assessor must value and assess property whether or not that is the case. On the other hand, if the building department were to use condemnation power to declare the structure uninhabitable as a dwelling unit, that would be a different situation.

The assessor has the authority to administer this program in a fair and uniform manner that is consistent with the laws and rules. To insure fair and uniform treatment for program participants, we recommend that assessors develop an office policy regarding what is "typical" for a residential parcel. This is one of those situations that is in a "gray area" and may require a judgment call based on a particular set of circumstances for an "outlier".

INCOME REQUIREMENTS

Determining eligibility and level of exemption requires the calculation of combined disposable income. For income years 2015 and forward (affecting taxes levied for collection in 2016 and forward), combined disposable income must not exceed $40,000 – RCW 84.36.381(5).

When the applicant's financial circumstances change and income is reduced for two or more months during the assessment/income year, the assessor **must** calculate combined disposable income by multiplying the average monthly combined disposable income during the months after the change in circumstances by twelve. RCW 84.36.381(4)

Note: The estimated income approach is not optional! When the taxpayer retires, loses a spouse or domestic partner, or when there are other substantial changes that are likely to continue for an indefinite period of time, this method **must** be used.

For more details on the disposable income and combined disposable income calculations, see the Combined Disposable Income Section in this manual.

Combined disposable income includes the income of the applicant, his/her spouse or domestic partner, and any co-tenants, less any allowable deductions.

A **co-tenant** is a person who has an **ownership interest** in the residence **and resides** in the residence. The definition of cotenant, as used in this program, is found in RCW 84.36.383(6) and WAC 458-16A-100(7).

Joint or co-owners: In general, a person who is not a spouse or domestic partner and has an ownership interest in the residence but does not live in the residence need not report his/her income for purposes of this program. The applicant will receive the exemption based only on his/her income but it will apply only to his/her percentage of ownership interest in the property.

Why do we include income for other household residents who have no ownership interest?

When a person with no ownership interest is living in the residence with the applicant as part of a family unit, the exemption is allowed on the entire residence. Include the applicant's income and include only the portion of the other person's income that is contributed to the running of the household (rent, utilities, groceries, etc.).

When a person with no ownership interest is living in the residence with the applicant and is renting a room, that portion of the residence that is exclusively used by the "tenant" cannot be included in the exemption because that portion of the home is used for commercial purposes and not as a personal residence by the applicant. The definition of "residence" only includes a single **noncommercial** housekeeping unit and specifically excludes property used as a boarding or rooming house.

Our definition of "disposable income" begins with "adjusted gross income" as determined under IRS rules.

Under IRS rules, income includes expenses paid by a tenant and/or property or services received as rent instead of money. Even when the taxpayer does not report that income to IRS for income tax purposes, we include it in our calculation for disposable income.

The following excerpts are from IRS Publication 17, pages 68 and 70. You can find this publication at http://www.irs.gov/pub/irs-pdf/p17.pdf.

Expenses paid by tenant. If your tenant pays any of your expenses, the payments are rental income. Because you must include this amount in income, you can deduct the expenses if they are deductible rental expenses. See *Rental Expenses*, later, for more information.

Property or services. If you receive property or services, instead of money, as rent, include the fair market value of the property or services in your rental income.

If the services are provided at an agreed upon or specified price, that price is the fair market value unless there is evidence to the contrary.

Renting Part of Property

If you rent part of your property, you must divide certain expenses between the part of the property used for rental purposes and the part of the property used for personal purposes, as though you actually had two separate pieces of property.

You can deduct the expenses related to the part of the property used for rental purposes, such as home mortgage interest, qualified mortgage insurance premiums, and real estate taxes, as rental expenses on Schedule E (Form 1040). You can also deduct as rental expenses a portion of other expenses that normally are nondeductible personal expenses, such as expenses for electricity or painting the outside of your house.

There is no change in the types of expenses deductible for the personal-use part of your property. Generally, these expenses may be deducted only if you itemize your deductions on Schedule A (Form 1040).

You cannot deduct any part of the cost of the first phone line even if your tenants have unlimited use of it.

You do not have to divide the expenses that belong only to the rental part of your property. For example, if you paint a room that you rent, or if you pay premiums for liability insurance in connection with renting a room in your home, your entire cost is a rental expense. If you install a second phone line strictly for your tenants' use, all of the cost of the second line is deductible as a rental expense. You can deduct depreciation, discussed later, on the part of the house used for rental purposes as well as on the furniture and equipment you use for rental purposes.

How to divide expenses. If an expense is for both rental use and personal use, such as mortgage interest or heat for the entire house, you must divide the expense between the rental use and the personal use. You can use any reasonable method for dividing the expense. It may be reasonable to divide the cost of some items (for example, water) based on the number of people using them. The two most common methods for dividing an expense are based on (1) the number of rooms in your home, and (2) the square footage of your home.

Not Rented for Profit

If you do not rent your property to make a profit, you can deduct your rental expenses only up to the amount of your rental income. You cannot deduct a loss or carry forward to the next year any rental expenses that are more than your rental income for the year. For more information about the rules for an activity not engaged in for profit, see *Not-for-Profit Activities* in chapter 1 of Publication 535.

Where to report. Report your not-for-profit rental income on Form 1040, line 21. For example, you can include your mortgage interest and any qualified mortgage insurance premiums (if you use the property as your main home or second home), real estate taxes, and casualty losses on the appropriate lines of Schedule A (Form 1040) if you itemize your deductions.

If you itemize your deductions, claim your other rental expenses, subject to the rules explained in chapter 1 of Publication 535, as miscellaneous itemized deductions on Form 1040, Schedule A, line 23. You can deduct these expenses only if they, together with certain other miscellaneous itemized deductions, total more than 2% of your adjusted gross income.

DETERMINE THE PERCENTAGE OF EXEMPTION

The following guidelines will help you decide the correct percentage of exemption:

- Marital Community or Domestic Partnership: Allow the full exemption and include the income of both spouses/domestic partners. You may be able to exclude the income of a spouse/domestic partner who is not living in the residence when:
  - the couple is legally separated or divorced or the domestic partnership has been legally dissolved, **or**
  - one spouse/domestic partner is "absent" as defined under WAC 458-16A-120(2)(a), **or**
  - the couple is living "separate and apart".
- Co-tenants: If both parties live in the house and both have an ownership interest, then the exemption is granted on the entire parcel. Be sure to include 100 percent of everyone's disposable income.
- Co-tenants with two residences:

  Example: A mother and daughter have equal ownership interests (50-50) in a 2 acre parcel with two residences. The mother occupies one residence on half of the property and the daughter lives in the other residence on the other half of the property. Both mother and daughter meet all of the eligibility requirements for the exemption. The mother receives a full exemption on her dwelling unit and 1 acre of the land and the daughter receives a full exemption on her dwelling unit and 1 acre of the land. For the mother's exemption include her income only and for the daughter's exemption include only her income. Basically, this is treated similar to a "share ownership in cooperative housing". Each owner has a "share interest" that represents her primary dwelling unit.
- Joint tenants: If more than one person has an ownership interest but only the applicant lives in the residence, the exemption is allowed on just the residing person's percentage of ownership. Include only the residing person's disposable income. Do not include the non-residing person's income.

  Example: Two sisters have equal ownership interests (50-50) in the family home inherited from their parents. Sister A occupies the family home as her primary residence while Sister B lives elsewhere. Sister A meets all of the eligibility requirements for the exemption program. Sister A receives a full exemption on 50% of the value of the home and only reports her income.
- Joint tenants with right of survivorship: JTWROS is treated like a marital community. The applicant receives the full exemption but do not include the income of the other owners unless they are living in the residence.

  Example 1: Two brothers hold ownership as Joint Tenants with Right of Survivorship. Brother A occupies the home as his primary residence while Brother B lives elsewhere. Brother A meets all of the eligibility requirements for the exemption program. Brother A

receives a full exemption on 100% of the value of the home and only his income is included when determining combined disposable income.

Example 2: Two brothers hold ownership as Joint Tenants with Right of Survivorship. Both brothers live in the residence. Brother A meets all of the eligibility requirements for the exemption program. Brother A receives a full exemption on 100% of the value of the home and the income for both brothers is included when determining combined disposable income.

FILING THE APPLICATION

The application is due December 31 of the assessment year and, if approved, will affect the taxes due in the following tax year (i.e. application due 12/31/2018 affects taxes due in 2019). RCW 84.36.385(1) and (3) and WAC 458-16A-135(2).

The application is made in the assessment year based on the anticipated income that will be received that year. The assessor may require confirming documentation of actual income prior to May 31 of the year following application. The exemption is effective in the year following the year of application.

Example: In December 2018, the applicant files an application estimating his/her 2018 income. The applicant qualifies for the exemption and receives the reduction on taxes payable in 2019. The assessor may require income documentation prior to May 31, 2019.

Many assessors, for taxpayer convenience and to streamline business practices, simply request that taxpayers wait until income documentation is available to submit applications. WAC 458-16A-140(3)(c)

ASSESSOR RESPONSIBILITIES

Assessors are directed to publicize the qualifications and application process through local media and through information included on or with property tax statements and revaluation notices (RCW 84.36.385(6)).

The assessor reviews applications and supporting documents and has the authority to grant or deny claims for exemption. The Department of Revenue cannot tell you whether to grant or deny an exemption. Each county assessor has that authority. RCW 84.36.385(5) and WAC 458-16A-140(3)

Upon approval, the assessor freezes the assessed value, determines the level of exemption for the applicant, and notifies the applicant of approval.

RCW 84.36.385(5) directs the assessor to deny an exemption if the applicant does not meet the qualifications as set forth in RCW 84.36.381. The assessor must give the applicant written and

dated notification of any denial. The notification should include the reason the exemption was denied and should explain the applicant's right to appeal.

At least once every six years, the assessor must notify participants of the obligation to file a renewal. If an applicant received an exemption in prior years based on erroneous information, taxes must be collected, subject to penalties as provided in RCW 84.40.130, for a period not to exceed five years. RCW 84.36.385 and WAC 458-16A-150

DEPARTMENT OF REVENUE RESPONSIBILITIES

DOR provides forms, adopts rules, and acts in an advisory role. The Department also has authority to conduct audits. RCW 84.36.389

If the assessor chooses to adapt a form specific to his/her county, the forms must be submitted to DOR for approval prior to use as provided in WAC 458-16A-135(5).

APPLICANT RESPONSIBILITIES

Applicants must provide documentation requested by the assessor. See WAC 458-16A-135(5)(e)(vii).

An applicant must notify the assessor when there is a change in status that may affect his or her exemption and must file a renewal at least once every six years as requested by the assessor. See RCW 84.36.385(1) and (2) and WAC 458-16A-150.

According to RCW 84.36.385(5) and WAC 458-16A-150, when there is a change in status affecting the exemption and the taxpayer fails to notify the assessor, the application information formerly relied upon becomes erroneous for the period(s) following the change. When the assessor discovers a change in status that was not reported, property taxes must be re-calculated to reflect the newly discovered status for a period not to exceed five years.

RCW 84.36.385(5) says, in part, "If the applicant had received exemption in prior years based on erroneous information, the taxes shall be collected subject to penalties as provided in RCW 84.40.130 for a period of not to exceed five years."

WAC 458-16A-150(3)(e) says, "If the claimant fails to submit the change in status form, the application information relied upon 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."

FRAUDULENT FILINGS AND 100 PERCENT PENALTY

RCW 84.36.385 provides for removal of the exemption when the assessor discovers the participant no longer meets the program requirements and WAC 458-16A-150 explains more about how and when to implement the removal. According to WAC 458-16A-150(3)(e), 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. However, according to the WAC rule, the 100 percent penalty is applied "in addition" when a person provides erroneous information or willfully fails to submit a change in status form. RCW 84.36.385 refers to RCW 84.40.130 for the penalty assessment.

This is fairly new territory in regards to the Property Tax Exemption Program. Our legal staff has advised that you should pursue the additional 100 percent penalty through a court action, in the same manner you would for a false or fraudulent personal property listing.

In addition, RCW 84.36.387(4) says that "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."

WAC 458-16A-150(3)(e) says, "If the claimant fails to submit the change in status form, the application information relied upon 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. 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."

RCW 84.36.385(5) says, in part, "If the applicant had received exemption in prior years based on erroneous information, the taxes shall be collected subject to penalties as provided in RCW 84.40.130 for a period of not to exceed five years."

RCW 84.40.130(2) provides that, "If any person or corporation shall **willfully** give a **false or fraudulent** list, schedule or statement required by this chapter, or shall, **with intent to defraud**, **fail or refuse to deliver** any list, schedule or statement required by this chapter, such person or corporation is liable for the additional tax properly due or, in the case of willful failure or refusal to deliver such list, schedule or statement, the total tax properly due; and in addition such person or corporation is liable for a **penalty of one hundred percent of such additional tax or total tax** as the case may be."

It also says that the "taxes and penalties provided for in this subsection must be recovered in an action in the name of the state of Washington on the complaint of the county assessor or the county legislative authority and must, when collected, be paid into the county treasury to the

credit of the current expense fund. The provisions of this subsection are additional and supplementary to any other provisions of law relating to recovery of property taxes."

Before you proceed any further, you should answer the following question.

- **Can you show (meaning prove through documentation) that this applicant signed a false claim with the "intent" to defraud or evade paying property tax?**

If the answer is "yes", then you and your treasurer have the authority under the statutes and rules to collect any property taxes due for a period not to exceed five years, and, in addition, the applicant is liable for the additional 100 percent penalty.

You should contact your county's prosecuting attorney to determine whether or not the evidence and documentation you have is sufficient to prove "intent to defraud and evade". If the answer is yes, your attorney will advise you on how to proceed and how, or whether or not, to proceed with a perjury charge.

The following WAC rule explains how to pursue imposition of the 100 percent penalty referenced in RCW 84.40.130(2).

> WAC 458-12-110(4) **Penalty for willfully providing a false or fraudulent listing of taxable personal property.** If a person willfully provides the assessor with a false or fraudulent listing of taxable personal property, or, with the intent to defraud, fails or refuses to provide a listing of taxable personal property as required by chapter 84.40 RCW, the person is subject to a penalty of one hundred percent of the tax properly due. A false or fraudulent listing may arise because it does not include all of the taxable personal property in the ownership, possession, or control of the person making the listing, or because it contains false information relating to the proper value of the personal property listed. A person is not liable for the penalty provided in this subsection (4) if the failure to list or the false listing was the result of negligence, inadvertence, accident, or simple oversight rather than willfulness or an intent to defraud. Likewise, a person making a false listing will not be subject to the penalty provided in this subsection (4) if it is shown that the misrepresentations made by the person are entirely attributable to reasonable cause. The penalty imposed under this subsection (4) is in lieu of the penalty imposed under subsection (3) of this rule.
>
> (a) **How is the penalty imposed?** The assessor does not impose the penalty provided in this subsection (4). Rather, the penalty provided for in this subsection along with any tax properly due are to be recovered in a lawsuit brought in the name of the state of Washington on the complaint of the county assessor or the county legislative authority. The provisions of this subsection (4) are in addition to any other provisions of law relating to the recovery of property taxes.
>
> (b) **How is the penalty distributed?** When collected, the penalty imposed under this subsection (4) and the tax to which it was added must be paid into the county treasury to the credit of the current expense fund.

PRIOR YEAR APPLICATIONS

Applicants may apply for an exemption for previous years and receive a property tax refund for taxes paid. Refunds may only be issued for up to three years from the date the taxes were due. See RCW 84.69.020(7) and RCW 84.69.030(2).

The only limitation on applying for prior years is the 3-year limitation on refunds. There is no statute of limitations for relief from unpaid property taxes for previous years. If there are 10 years of delinquent taxes, the taxpayer can apply for exemption for all ten years and receive adjustments on the taxes due for those years.

An applicant may also apply for prior years for the purpose of establishing the frozen value "of the residence on the later of January 1, 1995, or January 1st of the assessment year the person first qualifies under this section." See RCW 84.36.381(6) and WAC 458-16A-135(2).

Even though an applicant may not be eligible to receive a refund, it may be beneficial to apply for a prior year in order to establish the lowest possible frozen value. See WAC 458-16A-135(2).

When applying for prior years, the applicant must file an application for each year that an exemption is requested. Just as if the application had been filed timely, the applicant must meet all of the qualifications in place for that time period.

Sometimes, notice of foreclosure proceedings prompts the application once the taxpayer becomes aware of the exemption program. In these cases, because the tax has not yet been paid, the assessor can adjust the assessment and notify the treasurer of the change. The treasurer then adjusts the tax amount and notifies the taxpayer of any taxes still owing on the account. If the taxes are left unpaid, the treasurer has no choice but to pursue foreclosure unless the applicant is eligible to apply for the Deferral Program.

HB 2446 was passed in 2014 and became effective June 12, 2014. This legislation is intended to simplify the refund process for taxpayers, assessors, and treasurers. Under the new legislation, the property owner is no longer required to "file a claim for a refund" under the following circumstances.

- the refund is the result of a Board of Equalization, State Board of Tax Appeals, or Court decision, or
- the refund is a result of decisions made by the county treasurer or assessor within 3 years of the tax due date, or
- the refund is a result of an approval by the assessor or DOR for property tax exemption under RCW 84.36.

APPEALS

An applicant may appeal an exemption denial to the county Board of Equalization (WAC 458-16A-140(6)) within 30 days of the date of the determination, or within a time limit of up to 60 days as adopted by the county legislative authority, whichever is later. The taxpayer should use Form 64 0090 to submit the appeal.

Either party may appeal the Board of Equalization decision at the State Board of Tax Appeals (WAC 458-14-056).

An applicant may also appeal if he/she disagrees with the level of exemption as determined by the assessor. In effect, when the assessor approves the application for exemption at a specific level based on the applicant's income, the assessor has denied the exemption at the other levels.

The same holds true when the applicant disagrees with the assessor's determination regarding exclusion of a portion of the property. For example, the assessor determines that a portion of the residence is used commercially or determines that certain outbuildings that are not considered to be part of the residence should be excluded from the exemption.

FROZEN VALUE

Value is frozen as of January 1, 1995, or January 1 of the assessment year the person first qualifies for exemption, whichever is later, RCW 84.36.381(6).

Effective date – For qualified applicants who were already receiving the exemption at the time this legislation passed in 1995, values were frozen as of January 1, 1995. All other applicants will have their values frozen January 1 of the assessment year they first enter the program.

Some things to remember about the frozen value are:

- The value is frozen based on the January 1 assessed value in the assessment/income/application year the taxpayer first qualifies for the exemption.
- The frozen value is not adjusted unless property is removed from the exemption or added to the exemption. For example:
    - A portion of the property is sold or used for business – or – a boundary line adjustment adds property or property previously used for business is converted to personal use.
    - The residence is an older single-wide mobile home and is replaced with a new double-wide.
    - Zoning/land use changes to allow inclusion or exclusion of additional acreage in excess of one acre.
    - "New construction" type improvements are made to the property.

- Property is destroyed or "destroyed property" is replaced and/or reconstructed – see Destroyed Property.

- If the market assessed value of the residence and/or land falls below the frozen value, the exemption is applied to the lower of the two values so that the taxpayer always receives the greater benefit.
- If the taxpayer is ineligible for one year due to high income, the original frozen value is reinstated when the taxpayer re-qualifies in the following year. If the taxpayer is ineligible for more than one year due to high income, the frozen value must be re-established.
- If the taxpayer is ineligible for one year or more for any reason or than high income, the frozen value must be re-established.

RCW 84.36.381(6)(a) For a person who otherwise qualifies under this section and has a combined disposable income of thirty-five thousand dollars or less, the valuation of the residence is the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year the person first qualifies under this section. If the person subsequently fails to qualify under this section only for one year because of high income, this same valuation must be used upon requalification. If the person fails to qualify for more than one year in succession because of high income or fails to qualify for any other reason, the valuation upon requalification is the assessed value on January 1st of the assessment year in which the person re-qualifies. If the person transfers the exemption under this section to a different residence, the valuation of the different residence is the assessed value of the different residence on January 1st of the assessment year in which the person transfers the exemption.

(b) In no event may the valuation under this subsection be greater than the true and fair value of the residence on January 1st of the assessment year.

(c) This subsection does not apply to subsequent improvements to the property in the year in which the improvements are made. Subsequent improvements to the property must be added to the value otherwise determined under this subsection at their true and fair value in the year in which they are made.

Valuation notices for program participants should be sent out as usual and should include both the market value and the frozen value (this may actually reflect the value that was established in an earlier year).

If an applicant exceeds the maximum income level for one year, he or she will be removed from the exemption program for that year and the property taxes will be calculated on the market value. If the applicant re-qualifies for the exemption program again in the year immediately following, the previously used frozen value can be reinstated and the property taxes will again be calculated on that prior frozen value.

If an applicant is ineligible due to any reason other than high income, **or** if the applicant is ineligible for two or more years in a row due to high income, there is no option for reinstating the prior frozen value once the applicant re-qualifies. The applicant can re-apply for the program as soon as he/she is eligible but frozen value must be re-established.

Transferring the exemption – the value of the replacement residence is frozen as of January 1 of the year in which the transfer takes place. WAC 458-16A-150(5)

New construction is added at its full value to the existing frozen value and a new frozen value is established.

If, during the revaluation cycle, the value of the property drops below the frozen value, the applicant will only pay taxes on the lower of the market value or the frozen value. The frozen value is set aside until such time as the market value once again exceeds the frozen value. At that time, the frozen value would again be used to compute the taxes.

SB 6338 – Property exceeding one acre

This legislation was passed in 2006 so 2007 is the first year acreage in excess of one acre became eligible for exemption. At that time, if an applicant had an existing exemption on 1 acre and had additional acreage that became eligible under the new legislation, the new frozen value consisted of the already existing frozen value of the residence and 1 acre — plus the January 1, 2006, value of the additional acreage now included in the exemption. The new frozen value carried forward to future years.

NOTE: This also applies to future changes in local land use/zoning.

Example 1:
Joe Smith owns five acres. He has had an exemption since 2007. Until March 2017, the local land use regulations only required one acre per residence so his exemption only covers his residence and one acre. In March 2017, the local planning commission changed the zoning where he lives due to water restrictions. Now, local land use regulations require five acres per residence. Beginning with the 2018 tax year, he can receive relief under the exemption program for his residence and the entire five acres. The new frozen value is the original frozen value for the home and one acre, plus, the January 1, 2017, market value of the additional four acres.

Example 2:
John Jones owns five acres. He has had an exemption since 2007 and his frozen value was established as of January 1, 2006. Until March 2017, the local land use regulations required five acres per residence so his exemption covered his residence and all five acres. In March 2017, the local planning commission changed the zoning where he lives to encourage development. Now, local land use regulations require one acre per residence. Beginning with the 2018 tax year, he can receive relief under the exemption program for his residence and one acre. The additional four acres must be removed from the exemption program and the frozen value must be recalculated to exclude the January 1, 2006, value of the excluded four acres.

Current Use Property

A senior citizen can qualify for a property tax exemption, based on their income, while continuing to use their property in a manner consistent with statutory provisions for classification in a current use program or as designated forest land (DFL). The use of the parcel determines whether it qualifies, or continues to qualify, under current use or DFL.

For property in a Current Use Program, the current use value is used to set the frozen value. The current use value is, technically, the "value in use" and "the taxable value". As such, this is the value that should be used to set the frozen value for property that is in a Current Use Program at the time the taxpayer becomes eligible for the Exemption Program.

> **Example:** A taxpayer had property in a Current Use Program beginning in 2000. In 2001, the taxpayer became eligible for the Exemption Program. The frozen value will be the current use value of the residence and the one-acre homesite as of January 1, 2001.
>
> The property is located in an area that requires five acres per residence according to local land use and zoning requirements. With passage of SB 6338, the new frozen value for 2007 taxes is the already existing frozen value plus the January 1, 2006, current use value of an additional four acres. This newly established frozen value will carry forward to future years.

The taxpayer is taxed on the lower of the frozen value, the current use value, or the market value.

If the taxpayer decides they no longer want to participate in the current use program, the frozen value must be reset to reflect the value that would have been frozen if the taxpayer had not participated in the current use program.

> **Example:** The taxpayer in our previous example decides to withdraw from the current use program. The frozen value becomes the market assessed value of the residence and one acre as of January 1 of the first exemption application year plus the market assessed value of the additional four acres allowable under SB 6338. The newly established frozen value is the market assessed value for the residence and one acre as of January 1, 2001 plus the market assessed value as of January 1, 2006, for the additional 4 acres.
>
> In addition, the taxpayer may have rollback taxes. Rollback taxes should be calculated on the difference between what the taxpayer actually paid and what the taxpayer would have paid if he/she had not participated in the current use program.
>
> For 2000, prior to being in the Exemption Program, the taxpayer would pay rollback taxes on the difference between the current use value and the market assessed value.
>
> For 2001 and forward, the taxpayer would pay taxes on the difference between the value actually taxed (the lower of the frozen, current use, or market value) and the new value (the lower of the frozen or market value), with the exemption applied to the new taxable value.

Destroyed Property

Under the destroyed property statute, the assessed value for destroyed property is the value remaining after destruction, unless new construction takes place. For properties in the senior citizen exemption program, the frozen value is compared with the true and fair value after destruction. The property owner pays tax on the lower of those two values. **In essence, the senior citizen/disabled person pays tax on the lowest value authorized by law, the lower of the frozen value or the true and fair value after destruction.**

Note: The form you have for calculating rebates for "destroyed property" will not calculate correctly when there is an exemption in place. The problem came to our attention when Kittitas County had a situation with property destroyed in the month of January. The Department added a note to that form to alert you to not use the form if you are calculating a destroyed property rebate/refund calculation for a parcel that is in either the exemption program or the current use program.

Once the home is repaired or replaced, a new frozen value is established. The land value would remain frozen at the previous frozen value. The value of new construction is added to the senior citizen/disabled person's frozen value to the extent that the new construction increased the true and fair value of the property prior to destruction. If the property owner replaced the destroyed property and the true and fair value of the property is no more than the true and fair value prior to destruction, the frozen value would not be affected. Only the value of repairs or replacements that exceeds the original true and fair value would be added to the frozen value.

Once that is determined, the assessor must also determine if the home is the principle residence of the taxpayer in order to continue the exemption on the property. If the taxpayer has temporarily relocated due to the destruction and will move back into the home before the end of the year, you can safely say the home remains the principal residence of the applicant.

If you determine the property will not be the principal residence of the applicant, the exemption must be removed.

Adjusting Frozen Value After Reconstruction

The new frozen value depends on whether the value of the reconstructed residence exceeds the value of the residence prior to destruction.

- If the true and fair value of the property after reconstruction is less than or equal to the true and fair value prior to destruction, then the frozen value will not change.
- If the true and fair value after reconstruction exceeds the former true and fair value, the difference (increase) in value should be added to the frozen value.

You will need to compare the "market assessed value" prior to destruction to the "market assessed value" after reconstruction, then adjust the frozen value to the extent that the new value exceeds the true and fair value prior to destruction. This applies to a house or a manufactured home, regardless of whether the replacement has the same footprint.

Calculating the Rebate/Refund and Establishing a New Frozen Value

Following is an example of how to calculate the rebate/refund and how to establish a new frozen value after the property is repaired.

- Destruction date = January 7
- The taxable value for regular levies only is $32,450, with a regular levy rate of $5.5155624, for a total of $178.98.
- $178.98 equals a tax per day of $.49 ($178.98/365).
- Therefore, the property tax for the portion of the year prior to destruction is $2.94 (6 x $0.49).
- The assessed value after the destruction is less than the $50,000 reduction for the mid-level exemption, thus, the taxpayer is not liable for any property taxes for the remaining 359 days of the year.

Since the original property tax was $178.98 and the new total is $2.94, the taxpayer should receive a rebate of $176.04.

	Based on Frozen Value Prior to Destruction	Based on Frozen Value After Destruction
Land	27,300	27,300
Imps	55,150	10,680
Total Value	**82,450**	**37,980**
Exemption Applied – Greater of 35% or $50,000	50,000	50,000
Taxable Value	32,450	-0-
Regular Levy Rate	5.5155624	5.5155624
Regular Tax (32,450 x .0055155624)	$178.98	
Regular Tax Before Destruction of Property (32,450 x .0055155624 / 365 days in the year x 6 taxable days prior to destruction)		$2.94
Regular Tax After Destruction of Property (-0- x .0055155624 / 365 days in the year x 359 days after destruction)		$0.00
Total Regular Tax for Year with Destroyed Property		$2.94
Abatement or refund amount ($178.98 - $2.94)		$176.04

	Land Value	Improvement Value	Total Value
Market Value Before Destruction	$100,000	$250,000	$350,000
Frozen Value Before Destruction	$70,000	$200,000	$270,000
Market Value Destroyed		$250,000	$250,000
Market Value After Destruction	$100,000	$0	$100,000
Frozen Value After Destruction	$70,000	$0	$70,000
Example 1: Replacement with true and fair value of $200,000			
Market Value After Replacement	$100,000	$200,000	$300,000
Frozen Value After Replacement	$70,000	$200,000	$270,000
Example 2: Replacement with true and fair value of $250,000			
Market Value After Replacement	$100,000	$250,000	$350,000
Frozen Value After Replacement	$70,000	$200,000	$270,000
Example 3: Replacement with true and fair value of $275,000			
Market Value After Replacement	$100,000	$275,000	$375,000
Frozen Value After Replacement	$70,000	$225,000	$295,000

Replacement value does not exceed prior market value - prior frozen value is reinstated.

Replacement value does not exceed prior market value - prior frozen value is reinstated.

= Original Frozen + (Replacement True&Fair - Original Market True&Fair)

REGULAR PROPERTY TAXES

Regular property taxes can be reduced under the exemption program and may be deferred under the deferral program.

Regular property taxes are those resulting from levies authorized by the Legislature (see RCW 84.04.140) and in most cases do not require voter approval. Regular levies are subject to the $5.90 aggregate limit (see RCW 84.52.043 and .050), and the 1 percent constitutional limit (see Article VII, Section 2 of the Washington Constitution), plus levies imposed for the state school levy, ports, public utility districts, EMS levies, affordable housing, conservation futures levies, county ferry districts, criminal justice, and transit levies.

1. The 1 percent Constitutional limit applies directly to taxes paid by individual property owners and, in most case, may be exceeded if approved by 60 percent of the voters voting on the proposition. It is based on “true and fair value”.
2. The Levy Limit calculation limits the total tax revenue collected by a taxing district and not to an individual taxpayer’s bill. It does not apply to excess levies.
3. The $5.90 limit is imposed by state law and applies to most regular levies.
4. The state school levy consists of two parts beginning January 1, 2018. Exemption program participants are exempt from Part 2 of the state school levy.

EXCESS LEVY (SPECIAL LEVY) (see RCW 84.52.052, .053, & .056)

Qualified exemption program participants are exempt from all excess levies.

Excess levies are taxes in excess of the Constitutional 1% limit and they are approved by voters at special or general elections. These are voted-approved levies in specific amounts for a specific duration of time. Not all voter-approved levies are excess levies.

Three examples of excess levies are:

1. Operations Levies – such as school Enrichment (M & O) levies;
2. Levies for Capital improvements (such as construction and/or modernization/remodeling) and Transportation; and
3. Bond levies.

TYPES OF ASSESSMENTS

Local Improvement Assessments

- Charges made by districts formed to provide specific public improvements that will benefit only that property within their boundaries.
- Cannot be exempted
- Can be deferred
- RCW 84.34.310(4)

"Local improvement district" means "any local improvement district, utility local improvement district, local utility district, road improvement district, or any similar unit created by a local government for the purpose of levying special benefit assessments against property specially benefited by improvements relating to such districts."

A local improvement district (LID) is a district that charges a fee or assessment for public improvements (sidewalks, curbs, sewer, lighting, etc) that is not based on the value of the property. The charge is levied against a parcel of real estate to defray the cost of a public improvement that presumably will benefit only the properties it serves.

These are districts set up for specific improvements such as sewer improvements, water systems, roads, lighting, sidewalks, etc. Financing of the project is usually through Local Improvement District Bonds. A one-time charge is levied against the property, generally with the option for installment payments, for a specific length of time, with an annual due date, a specified penalty interest rate, delinquent interest rate, and bond interest rate.

The property tax exemption program does not apply to LID's. However, these assessments may be deferred.

Other Benefit Assessments

- Charges made by districts formed to provide a specific service or benefit to properties within their boundaries.
  - RCW 84.34.310(7)
  - Charges are based on benefit to the property, rather than the value of the property.
  - May be billed on the property tax statement.

- Only Fire Protection Benefit Assessments/Charges can be exempted.
  - WAC 458-16A-140(2)

- Can be deferred

"Special benefit assessments" are special assessments levied in any local improvement district or by a local government to pay for all or part of the costs of a local improvement and which may be levied only for the special benefits to be realized by property by reason of that local improvement.

Benefit Assessment Districts are formed to provide a specific service or benefit to property contained within its boundaries. The charges made by Benefit Assessment Districts are based on benefit rather than value and generally cover things like fire protection, diking, drainage, flooding, and weed control. A charge is levied annually to the property owner.

The property tax exemption program does not apply to special benefit assessments except for Fire District Benefit Assessments. However, these assessments may be deferred.

Fire Protection Benefit Charges – See WAC 458-16A-140(2)

This exemption does not reduce or exempt an owner's payments for special assessments against the property. The only exceptions related to this program are for benefit charges made by a fire protection district, a regional fire protection service authority, or by a city or town for enhancement of fire protection services. Fire protection benefit charges are reduced twenty-five, fifty, or seventy-five percent depending upon the combined disposable income of the claimant. RCW 52.18.090, 52.26.270, and 35.13.256.

For 2015 and prior year assessments:

-0- - $25,000 – exempt from 75% of the charge
$25,001 - $30,000 – exempt from 50% of the charge
$30,001 - $35,000 – exempt from 25% of the charge

For assessments levied for collection in 2016 and forward:

-0- - $30,000 – exempt from 75% of the charge
$30,001 - $35,000 – exempt from 50% of the charge
$35,001 - $40, 000 – exempt from 25% of the charge

LEASEHOLD EXCISE TAX CREDIT

RCW 82.29A.120 provides for a credit for lessees and sublessees who would qualify for a property tax exemption under RCW 84.36.381 if the property were privately owned. For the qualified taxpayer, the leasehold excise tax is reduced by a percentage equal to the percentage reduction in property tax that would result from the property tax exemption under RCW 84.36.381.

In order to apply for the credit, the taxpayer must complete an application for exemption (REV 64 0082) and a worksheet used to calculate the credit (REV 86 0072). The assessor approves or denies the application for exemption and completes the "County Use Only" section. The taxpayer is responsible for completing the worksheet and submitting copies of both documents, along with his/her Leasehold Excise Tax Return and a check for the total tax due.

Forms, worksheets, and additional information are available here: http://dor.wa.gov/content/findtaxesandrates/othertaxes/tax_leasehold.aspx.

Because Leasehold Excise Tax is calculated annually, taxpayers should apply or renew the application for exemption on an annual basis. Questions should be directed to Leasehold Excise Tax at (360) 534-1503.

TO QUALIFY FOR EXEMPTION ON TAXES PAYABLE IN 2019

1. The application should/would have been filed in 2018
2. Therefore, the applicants declare their **ESTIMATED** 2018 income
3. Have combined disposable income of no more than $40,000 in 2018
4. The applicant must be 61 years of age or older on December 31, 2018
5. The applicant must have owned and resided in the house at the time of filing

---

TO QUALIFY FOR EXEMPTION ON TAXES PAYABLE IN 2018

1. The application should/would have been filed in 2017
2. Therefore, the applicants declare their **ESTIMATED** 2017 income
3. Have combined disposable income of no more than $40,000 in 2017
4. The applicant must be 61 years of age or older on December 31, 2017
5. The applicant must have owned and resided in the house at the time of filing

---

TO QUALIFY FOR EXEMPTION ON TAXES PAYABLE IN 2017

1. The application should/would have been filed in 2016
2. Therefore, the applicants declare their **ESTIMATED** 2016 income
3. Have combined disposable income of no more than $40,000 in 2016
4. The applicant must be 61 years of age or older on December 31, 2016
5. The applicant must have owned and resided in the house at the time of filing

---

TO QUALIFY FOR EXEMPTION ON TAXES PAYABLE IN 2016

1. The application should/would have been filed in 2015
2. Therefore, the applicants declare their **ESTIMATED** 2015 income
3. Have combined disposable income of no more than $40,000 in 2015
4. The applicant must be 61 years of age or older on December 31, 2015
5. The applicant must have owned and resided in the house at the time of filing

---

2018 AND AFTER TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE, OR UP TO FIVE ACRES IF EXCESS ACREAGE IS REQUIRED BY LOCAL LAND USE REGULATIONS

$30,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $60,000 OR 60% OF THE VALUE, WHICHEVER IS GREATER - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES, PART 2 OF THE STATE SCHOOL LEVY, AND LOCAL PROPERTY TAX LEVIES WHEN EXEMPTION IS IDENTIFIED ON BALLOT MEASURE
$30,001 TO $35,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $50,000 OR 35% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $70,000 - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES, PART 2 OF THE STATE SCHOOL LEVY, AND LOCAL PROPERTY TAX LEVIES WHEN EXEMPTION IS IDENTIFIED ON BALLOT MEASURE
$35,001 TO $40,000	EXEMPT FROM 100% OF EXCESS LEVIES, PART 2 OF THE STATE SCHOOL LEVY, AND LOCAL PROPERTY TAX LEVIES WHEN EXEMPTION IS IDENTIFIED ON BALLOT MEASURE

2016 THROUGH 2017 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE, OR UP TO FIVE ACRES IF EXCESS ACREAGE IS REQUIRED BY LOCAL LAND USE REGULATIONS

$30,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $60,000 OR 60% OF THE VALUE, WHICHEVER IS GREATER - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES

$30,001 TO $35,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $50,000 OR 35% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $70,000 - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$35,001 TO $40,000	EXEMPT FROM 100% OF EXCESS LEVIES

2007 THROUGH 2015 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE, OR UP TO FIVE ACRES IF EXCESS ACREAGE IS REQUIRED BY LOCAL LAND USE REGULATIONS

$25,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $60,000 OR 60% OF THE VALUE, WHICHEVER IS GREATER - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$25,001 TO $30,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $50,000 OR 35% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $70,000 - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$30,001 TO $35,000	EXEMPT FROM 100% OF EXCESS LEVIES

2005 THROUGH 2006 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE

$25,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $60,000 OR 60% OF THE VALUATION WHICHEVER IS GREATER - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES

$25,001 TO $30,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $50,000 OR 35% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $70,000 - PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$30,001 TO $35,000	EXEMPT FROM 100% OF EXCESS LEVIES

1999 THROUGH 2004 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE

$18,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $50,000 OR 60% OF THE VALUATION WHICHEVER IS GREATER, PLUS EXEMPTION FROM 100% EXCESS LEVIES.
$18,001 TO $24,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $40,000 OR 35% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $60,000 PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$24,001 TO $30,000	EXEMPT FROM 100% OF EXCESS LEVIES

1996 THROUGH 1998 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE

$15,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $34,000 OR 50% OF THE VALUATION WHICHEVER IS GREATER

$15,001 TO $18,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $30,000 OR 30% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $50,000 OF VALUATION
$18,001 TO $28,000	EXEMPT FROM 100% OF EXCESS LEVIES

1992 THROUGH 1995 TAXES

EXEMPTION COVERS RESIDENCE AND ONE ACRE

$15,000 OR LESS	EXEMPT FROM REGULAR PROPERTY TAXES ON $34,000 OR 50% OF THE VALUATION WHICHEVER IS GREATER, PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$15,001 TO $18,000	PROPERTY EXEMPT FROM REGULAR TAXES ON $30,000 OR 30% OF THE VALUATION WHICHEVER IS GREATER, NOT TO EXCEED $50,000 PLUS EXEMPTION FROM 100% OF EXCESS LEVIES
$18,001 TO $26,000	EXEMPT FROM 100% OF EXCESS LEVIES

List of Questions to Ask Applicants (Originally provided by Dave Cook, Yakima County Assessor, and updated by DOR in 2017)

- Were you at least 61 years of age or older by 12/31 of the year before the tax is due, or are you disabled? If disabled, are you "unable to pursue gainful employment" OR are you a veteran receiving VA disability at a total disability rating?
- Do you have a driver's license or ID card that shows your birthday and address? It should match the situs address of parcel or they should be able to explain when they moved in.
- Do you own other property here in this county?
- Do you own other property in any other County in Washington or any other state?
- If you own other property, are you receiving any type of exemption on any of that property?
- Have you sold a property here, or in any other County or State?
- How long have you lived in your house?
- Are you married or have a significant other?
- Does anyone live with you?
- Is your household income under $40,000?
- In that income do you receive money that is non-taxable, L&I, DSHS (money, food stamps), Native American Allotment money, Foster, Marital Support, etc… **Note:** Do not include these types of income in the income calculation unless they are specifically included in the list of "add-ons" specified in law and rule – i.e. pensions and annuities, Social Security, etc.
- Do you pay for your prescription drugs out of pocket, co-pays?
- Do you have any nursing home or in-home care expenses that we could use to deduct from your income?
- Do you pay for any type of Medicare health insurance – Parts A, B, C, or D?
- If you have no income, how are you able to pay your bills?
- Does anybody help you out by paying your bills, utilities, taxes etc…?
- If you have other adults living in the home do they help contribute to the home expenses and if so how much?
- If you are disabled, we will need a copy of your Notice of Award Letter from Social Security OR the Department of Veterans' Affairs OR a Proof of Disability form signed and returned by your doctor.

"QUICK REFERENCE"

Subject	RCW 84.36	WAC 458-16A
Absent Spouse/Domestic Partner		120(2)
Application Procedures	385(1)	135
Assessor's Authority	385	140(3)
Cancellation	385(2) & (5) RCW 84.40.350 through RCW 84.40.390	150(3)
Confidentiality	389	
Deductions Home Health Care	383(4)	100(6) 100(18)
Definitions	383	100
Department's Authority	389 865	
Frozen Value	381(6) RCW 84.40.178	140(7)
Income (General Definitions)		
Annuity	383(5)	100(2)
Adjusted Gross		115
Averaging	383(4)	
Combined Disposable	383(4)	100(6)
Disposable	383(5)	100(12)
Gross		110
Limits	381(5)	130(1) & (3)

One Acre – Five Acre Limit	383(1)	100(28)
Ownership Lease for Life/Life Estate/Trust Marital community/Domestic Partnrshp Cooperative Housing Co-tenant Conveyance by Deed Deed Requirements Acknowledgement	381(2) 381(2) 381(2) 381(2) 383(6) RCW 64.04.010 RCW 64.04.020 RCW 64.08.010	100(22) 100(19) & (21) & (22) 100(23) 100(28) 100(7)
Qualifications – Age/Disability	381(3)	100(10) & (11) 130(2)
Refunds	RCW 84.69.030	140(4)
Residence	381 383	100(28)
Residency	381(1)	100(25) 130(4)
Transfer	381	150(5)

SENIOR CITIZENS / DISABLED PERSON EXEMPTION RCW's

RCW 84.36.379 Residences - Property tax exemption - Findings.

RCW 84.36.381 Residences - Property tax exemptions - Qualifications.

RCW 84.36.383 Residences - Definitions.

RCW 84.36.385 Residences - Claim for exemption - Forms - Change of Status - Publication and Notice of Qualifications and Manner of Making Claims.

RCW 84.36.387 Residences - Claimants - Penalty for Falsification - Reduction by Remainderman - Perjury.

RCW 84.36.389 Residences - Rules and Regulations - Audits - Confidentiality - Criminal Penalty.

ADDITIONAL REFERENCES:

RCW 64.04.010 Conveyances and encumbrances to be by deed.

RCW 64.04.020 Requisites of a deed.

RCW 64.08.010 Who may take acknowledgements.

RCW 84.40.130	Penalty for failure or refusal to list — False or fraudulent listing, additional penalty.
RCW 84.40.178	Exempt Residential Property--Maintenance of Assessed Valuation--Notice of Change.
RCW 84.40.350	Assessment and taxation of property losing exempt status.
RCW 84.40.360	Loss of exempt status – Property subject to pro rata portion of taxes for remainder of year.
RCW 84.40.370	Loss of exempt status – Valuation date – Extension on rolls.
RCW 84.40.380	Loss of exempt status – When taxes due and payable – Dates of Delinquency – Interest.
RCW 84.40.390	Loss of exempt status – Taxes constitute lien on property.
RCW 52.18	Benefit Charges
RCW 84.69.030	Procedure to obtain order for refund.

SENIOR CITIZENS / DISABLED PERSON EXEMPTION - WAC

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 one hundred percent 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-140	Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Exemption described - Exemption granted - Exemption denied - Freezing Property values.
WAC 458-16A-150	Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Requirements for keeping the exemption.

Section III

Senior Citizen and Disabled Persons Deferral Program

SENIOR CITIZEN / DISABLED PERSONS DEFERRAL PROGRAM

INTRODUCTION

The purpose of this deferral program is to allow senior citizens and/or disabled persons the ability to remain in their homes in spite of rising property taxes. RCW 84.38.010. This program works in conjunction with the exemption program and the applicant must meet all requirements for an exemption under RCW 84.36.381 other than the age and income limits.

If eligible, the applicant must also apply for the property tax exemption. WAC 458-18-020(4).

The exemption program reduces your property taxes. The deferral program allows you to postpone the payment of your property taxes;the State of Washington pays the taxes for the applicant. The taxes plus accrued interest are repaid to the State out of the estate when the applicant passes away or out of the proceeds of sale if the property is transferred. The lien created by the deferral program can only be assumed by a surviving spouse or domestic partner.

The interest rate on deferrals made prior to January 1, 2007, is eight percent (8%). Deferrals made on or after January 1, 2007, accrue interest at the rate of five percent (5%).

The deferral program is applicable to both property taxes and special assessments. Special assessments are physical improvements that specifically benefit a piece of property. Examples are improvements for water, sewer, roads, sidewalks, curbing, etc.

Current and delinquent property taxes and special assessments may all be included on one application. There is no limit on the number of years we can pay but the applicant has to have had an ownership interest in the years the taxes were actually levied.

Like the exemption, the deferral applies only to the taxes or assessments for the residence and up to one acre of land, or up to five acres depending on local land use regulations. Tax on excess acreage (more than one acre and up to five acres) is eligible for deferral if local land use regulations require the excess acreage.

Because the applicant must meet the requirements for an exemption under RCW 84.36.381, other than the age and income requirements, the program qualifications are very similar. However, there are some **important** differences.

THE APPLICANT

Only one person in the household must meet the age/disability requirement and this person is the applicant. This person must also have an ownership interest in the property and the property must be the applicant's primary residence. The combined disposable income for the applicant and the applicant's spouse or domestic partner and any co-tenants must not exceed $45,000. See RCW 84.38.030.

AGE AND DISABILITY REQUIREMENTS

The applicant must be at least 60 by December 31 of the application year.

- OR –

The applicant must be the surviving spouse or domestic partner of someone who was receiving a deferral at the time of their death. The surviving spouse or domestic partner must be at least 57 years old in the year the original participant passed away and must otherwise qualify for the program. RCW 84.38.150

- OR –

The applicant must be disabled. The definition of disability in RCW 84.36.383(7) has been linked to the definition used for Social Security purposes (42 U.S.C. 423, Section 223(d)(1)(A)). The disability must be such that the applicant is unable to pursue substantial gainful employment and the condition must either be expected to result in death or must have lasted, or be expected to last, for a continuous period of at least 12 months. The disability need not be permanent. Annually, the Social Security Administration determines the amount a claimant may earn without being considered "gainfully employed". There are separate limits for those who are blind. You can find annual limits for allowable earned income in the Combined Disposable Income section of this manual or at the Social Security website at Substantial Gainful Activity.

NOTICE: Unlike for the Exemption Program, there is no provision for qualification based solely on status as a disabled veteran.

RESIDENCY AND OWNERSHIP REQUIREMENTS

The residence must be the applicant's principal home. As with the Exemption Program, the taxpayer may still be eligible while confined to a hospital, nursing home, assisted living facility (boarding home), or adult family home as provided in RCW 84.36.381(1).

The applicant must have an ownership interest in the property. To qualify for a deferral in the current year, the applicant must have had an ownership interest prior to January 1. Example: To qualify for deferral in 2019, the applicant must have had an ownership interest by December 31, 2018.

Qualifying ownership includes fee simple and contract purchase (purchase contract or deed of trust). A person who has only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust does not satisfy the ownership requirement. RCW 84.38.030(4).

An irrevocable trust may meet the ownership qualification. The trust must be expressly not revocable **and** the applicant must be the **trustee** or **beneficiary and** the applicant must have a life-time beneficial interest in the residence or the portion of the trust containing the residence

(i.e. the trust estate containing the residence). **In addition, there cannot be a "spendthrift" clause that prevents encumbrance of the trust assets.**

For the Deferral Program, we have to make sure that the applicant has a vested interest in the property because, in effect, the interest in the real property is being used as collateral for a "loan". With respect to most private trusts, the trustee holds legal title to the trust property, is the representative or agent of the trust, and has the capacity to sue and be sued on behalf of the trust. The beneficiaries of a trust are the persons with equitable ownership of the trust assets, although legal title is held by the trustee.

Watch for clauses that prevent the trustee and/or beneficiary from encumbering the trust property.

When someone defers property tax, the State has to encumber the property in the form of a lien filed against that property. If there is a type of "spendthrift" clause that prevents encumbrance, we will not be able to pay the property tax because we cannot file the lien against the property to secure the state's interest.

If the property is in a trust, in order to qualify for both the exemption and deferral programs simultaneously:

- the trust must be **expressly** not revocable, **and**,
- the applicant must be the beneficiary, **and,**
- the applicant must have a beneficial interest in the residence or the portion of the trust containing the residence (i.e. the trust estate containing the residence), **and**,
- either the trust must terminate on the claimant's death **OR** the claimant's beneficial interest in the property must last for his or her lifetime, **and**,
- the trust must not include a spendthrift clause prohibiting encumbrance of the property.

INCOME

The maximum amount of combined disposable income the applicant, spouse, domestic partner and co-tenants may receive and still be eligible for this program is $45,000. RCW 84.38.030(3).

Those applicants who meet the age and income requirements for the exemption program **must** first apply for the exemption. These taxpayers will receive the benefit of the exemption first, thereby reducing the amount of taxes they will later repay to the state under the deferral program. WAC 458-18-020(4).

Applications are filed in the year the taxes are due and income from the preceding year is used to determine eligibility. To calculate income, follow the same laws, rules, and procedures as for the exemption program. See RCW 84.36.383, WAC 458-16A-100, and the Combined Disposable Income section of this manual.

TO QUALIFY FOR DEFERRAL ON TAXES OR SPECIAL ASSESSMENTS PAYABLE IN 2019

1. The application is due 30 days before the tax or special assessment due date. Similar to the Exemption Program, late applications are accepted and, typically, applications for this program are received year-round.

2. Applicants must be at least 60 years of age by 12/31/2019 or must have been disabled as of 12/31/2018.

3. Applicants should declare their 2018 income.

4. Combined disposable income must be no more than $45,000 in 2018.

5. The applicant must have owned & resided in the house as of December 31, 2018.

6. The applicant may apply for payment of prior year taxes on the same application as long as he/she had an ownership interest in the property in the prior years.

EQUITY

The maximum dollar amount of deferred taxes allowable on a parcel is limited by the applicant's equity in that property.

Equity is the amount by which the market assessed value of the property exceeds all liens and encumbrances against the property. Liens and encumbrances include mortgages, IRS liens, the unpaid balance on special assessments, any balance due the Department of Social and Health Services, HUD, etc. WAC 458-18-010(7).

In order to include the value of the dwelling in the equity calculation, insurance must be maintained on the residence to protect the interest of the state and the State of Washington Department of Revenue must be named as loss payee on the insurance policy. **When insurance is not maintained OR the State of Washington is not named as loss payee on the policy, the maximum amount of taxes that can be deferred is reduced since only the value of the land can be included in the equity calculation.**

An applicant who does not carry fire insurance is limited to 100 percent of the equity in the land value only. This means that if the applicant has a mortgage or any other liens on the home, the amount of the mortgage (and other liens) will be deducted from the land value to determine equity.

Applicants who carry fire insurance on their homes **and** who have listed the State as loss payee on the policy can include the value of the residence (the assessed value or the insured value, whichever is lower) and are limited to a maximum of 80 percent of their equity in the aggregate value of the home and land.

EQUITY CALCULATION

With Co-Tenants

For the deferral programs, we can pay the entire tax bill and the equity calculation will be based on the total assessed value. To calculate the equity, use the total assessed value minus ALL of the liens and encumbrances.

With Co-Owners

For the deferral programs, we can still pay the entire tax bill but the equity calculation will be based only on the assessed value of the applicant's ownership share. To calculate the equity, use the applicant's share of value, minus ALL of the liens and encumbrances.

With Insurance

To calculate the equity when the claimant has fire and casualty insurance on the house and lists the State as a loss payee on the policy:

1. Determine the most current market assessed value of the property - land and improvements. Use the "true and fair" value as of January 1 of the current year.

   > **Note:** Before the current year valuation notices are mailed, you will actually be using last year's value. As soon as the current year valuation notices are mailed, you should be using the new value because that is now the most current value.

   Do not use the frozen value, current use value, or a private fee appraisal value. For the dwelling, use the assessor's market value **or** the dwelling coverage amount on the insurance policy, whichever is lower.

2. Determine the total of all the liens and obligations against the property – except any existing deferral account balance.
3. Verify that the claimant has fire and casualty insurance on the home **and** has listed the State as a loss payee on the policy. **Note:** In no case shall the deferred amount exceed the amount of the insured value of the improvement plus the value of the land.
4. Calculate the equity by subtracting the liens and obligations from the true and fair value of the property (land and improvements).
5. Multiply the balance, (if any), by 0.80 to arrive at 80 percent (80%) of equity. The claimant may then defer up to this amount. If the claimant has an existing deferral account balance, subtract that balance to determine the amount still available for deferral.

Without Insurance

When the claimant has no insurance OR does not list the State as a loss payee on the policy:

1. Determine the market assessed value of the land only (do not include the value of the improvements).
2. Determine the sum of all of the liens and obligations against the property.
3. Calculate the equity by subtracting the liens and obligations from the true and fair value of the land only (the improvement value is not included).
4. The claimant may defer up to this amount. When establishing a claimant's equity using only the land value, 100 percent (100%) of the equity is used rather than 80 percent (80%). If the claimant has an existing deferral account balance, subtract that balance to determine the amount still available for deferral.

Equity Calculation Example:	**Ins/State Listed**	**No Ins/State Not Listed**
Land Value:	$250,000	$250,000
Improvement Value:	$350,000	$350,000
Insurance: Dwelling Coverage	$400,000	$400,000
State as Loss Payee?	Yes	No
Value to Include in Calculation	**$600,000***	**$250,000**
Total Liens and Encumbrances	$225,000	$225,000
Equity	$375,000	$ 25,000
Percent of Equity Allowed	80%	100%
Available for Deferral	$300,000	$ 25,000
Existing Deferral Balance	$ 15,000	$ 15,000
Remaining Amount Available	$285,000	$ 10,000

***Use the improvement value or the dwelling coverage value – whichever is lower.**

APPLICATION PROCESS

Applications are due 30 days prior to the date the tax or special assessment is due and are filed at the assessor's office in the county where the property is located. For this program, late applications are always accepted. Future deferrals are not automatic. Signed renewal forms must be filed each year that an applicant wants to defer taxes.

The assessor has the authority to approve or deny a deferral.

The application must contain the following information (WAC 458-18-030(2)):

- Name and mailing address of applicant
- Proof of age or disability statement
- Names of spouse, domestic partner, and cotenants

- County parcel number
- Property information – acreage, zoning/land use requirements, etc.
- Mobile home title if applicable (lien must be filed with DOL if title has not been eliminated)
- Legal description
- Property taxes and special assessments requested to be paid
- Balance of mortgages, liens, and encumbrances against the property
- Homeowner's insurance policy information
- Prior year income
- Special assessment information, if applicable
- Signature of mortgage holder (if the mortgage contract requires a reserve account for payment of the property taxes)
- Signature of the applicant
- Names and signatures of all other owners

DELINQUENT PROPERTY TAXES AND SPECIAL ASSESSMENTS FOR THE DEFERRAL PROGRAM FOR SENIOR CITIZENS AND DISABLED PERSONS

Applications to defer delinquent property taxes and special assessments can be accepted if the claimant qualifies for the deferral in the current year. Unlike the exemption program, the applicant is not required file an application form for each of the prior years. We can pay the delinquent taxes and special assessments **as long as the applicant had an ownership interest during the back years** in question, currently meets the age or disability, income, and residency qualifications, and has enough equity.

The Department will pay the property taxes for the prior years, as well as interest, penalties, and foreclosure costs. The applicant should specify on the current year application form which years' taxes and/or special assessments he/she is seeking to defer.

If the applicant was qualified for the exemption program in the delinquent years, the applicant **must** also apply for an exemption for those years (WAC 458-18-020(4)).

The Department made the decision to accept applications for prior year taxes in the deferral program even when the claimant did not meet the age, disability, residency, and income requirements in prior years when the legislature changed RCW 84.64.050. At one time this statute read in part: "The county treasurer shall not issue certificates of delinquency upon property owned and occupied as a principal place of residence by a person sixty-two years of age or older." When people began to use this provision to withhold payment of taxes, the legislature changed the sentence to read: "the county treasurer shall not issue certificates of delinquency upon property which is eligible for deferral of taxes under chapter 84.38 RCW but shall require the owner of the property to file a declaration to defer taxes under Chapter 84.38 RCW." At that time, we received a number of requests for deferral on delinquent taxes when the claimant did not qualify for the deferral for prior years. (*Update* The statute currently reads: The county treasurer may not sell property that is eligible for deferral of taxes under chapter 84.38 RCW but must require the owner of the property to file a declaration to defer taxes under chapter 84.38 RCW.)

If the taxes are delinquent and the applicant refuses to apply for the deferral program, the county treasurer's office can begin the foreclosure process.

LIENS ON REAL PROPERTY

The assessor's office generally provides the Department of Revenue (DOR) with a legal description of the property. DOR files a lien with the county auditor to show as a public record that the state has an interest in this property. In a situation involving excess acreage not eligible for deferral, it is the responsibility of the applicant to provide a legal description of the residence and the portion of land that will be included in the deferral. If the applicant chooses not to do this, DOR files the lien on the entire property even if the state is only paying the taxes on a portion of the land.

LIENS ON MOBILE HOMES

When an applicant has a manufactured home that is licensed through Department of Licensing, such as a manufactured home on a rented lot in a park, the Department **must** have the manufactured home title information in order to record the state as a lien-holder on that title.

Unless the title has been eliminated, when a deferral includes a mobile home the Department is required by law to file a lien on the mobile home (See RCW 84.38.100).

DOR files an "Application for Certificate of Title" with the Department of Licensing to show the State of Washington, Department of Revenue, as a lien-holder even when the Department is also filing a lien on the real property.

Before the lien can be recorded, the title must be in the applicant's name. For any change in the "registered owner", the Department of Licensing considers the transaction to be a change in ownership and requires original documents. Since DOR rarely receives original documents for deferral applications, in order to meet the ownership requirement, the title for a manufactured home must show the applicant as the registered owner.

When you forward the deferral application to the Department, please include documentation showing that the applicant is the registered owner and include the standard info on the manufactured home (size, manufacturer, year, VIN, plate, etc…).

APPEALS

If an application is denied, the claimant may appeal to the county Board of Equalization. The decision by the county Board of Equalization is final. There is no provision for appeal to the State Board of Tax Appeals. If the applicant is notified of a denial subsequent to July 15, the

department may reconvene the Board of Equalization if requested to do so by the assessor or claimant. WAC 458-18-090.

REPAYMENT OF DEFERRED TAXES

The Department of Revenue Property Tax Division will provide repayment figures upon request. We can be reached at (360) 534-1400 or at mydeferral@dor.wa.gov.

Repayments are made to the Washington State Department of Revenue and may be made in either a lump sum amount or partial payments. Partial payments are applied to the oldest interest first, then applied to the oldest taxes.

No repayments are required as long as the applicant remains eligible for the program, but the applicant can make payments at any time he/she chooses in order to reduce the account balance.

The deferred taxes plus interest **must** be repaid to the state when the:

- property's ownership is transferred;
- applicant ceases to reside permanently on the property;
- applicant fails to keep adequate fire insurance with state listed as loss payee and there is insufficient equity in land only;
- applicant passes away (unless a qualifying spouse or domestic partner elects to continue in the program); or
- property is condemned.

Under the laws and rules, these are "canceling events" (events that cause collection action) and repayment must be completed within three years of the date of the canceling event. Failure to make complete repayment within the three years will result in the county treasurer foreclosing on the property.

INTEREST RATES

The interest rate on deferrals made prior to January 1, 2007, is eight percent (8%). Deferrals made on or after January 1, 2007, accrue interest at the rate of five percent (5%).

The interest is "simple" interest and only accrues on the principal balance. No interest accrues on the interest portion of a deferral account balance.

APPLICANT RESPONSIBILITIES

Applicants must:

- Provide documentation requested by the assessor.
- Notify insurance company of requirement to add State of Washington Department of Revenue as "loss payee" and provide documentation either with application packet or directly to the Department.
- Notify the assessor and the Department of Revenue when there is a "canceling event".
- File a renewal application for each year in which they wish to defer taxes and/or special assessments.
- Provide a legal description for the residence and the portion of land eligible for deferral. This applies when the parcel includes excess acreage or improvements not eligible for deferral and the applicant wishes to exclude the ineligible acreage or improvements from the lien filed by the Department.

ASSESSOR RESPONSIBILITIES

The assessor must:

- Mail renewal declarations in January of each year to each claimant who received a deferral the previous year.
- Determine each year if each claimant filing a declaration to defer will be granted a deferral. The authority to approve or deny each deferral or deferral renewal lies with the assessor.
- Notify the claimant as soon as possible if the application is denied. Denials must be in writing and should include information about appeal rights and procedures as well as the reasons for the denial.
- Obtain tax and/or special assessment statement(s) showing the amount to be paid. Interest should be calculated through the last day of the month in which the application is approved by the assessor.
- Transmit one copy of the approved declaration to the department, with the legal description, tax or special assessment statement(s), and insurance documentation (unless the insurance documentation is being sent directly to the Department).
- Transmit one copy of the approved declaration to the county treasurer or respective treasurers of local improvement districts. Local improvement districts are directed to verify the special assessment figures supplied by the applicant and notify the assessor of the correct figures if those supplied were inaccurate.
- Notify the county treasurer and the respective treasurers of the local improvement districts of which claimants and properties have qualified for deferral and the amount that will be paid by the state treasurer on behalf of the claimant.
- Compute the dollar tax rates under the provisions of chapter 84.52 RCW as if the deferrals did not exist.

- Notify the county treasurer and the department immediately upon occurrence of any canceling event as set forth in RCW 84.38.130 and WAC 458-18-100(1).

DEPARTMENT RESPONSIBILITIES

The Department must:

- Notify the county assessor as soon as possible if any factor appears to disqualify the claimant. The department may audit any "declaration to defer" and/or "declaration to renew deferral" it deems necessary.
- File a lien with the county recorder and/or notify the Department of Licensing to show the state's lien on the certificate of title of a mobile home.
- Certify to the state treasurer the amount due the respective treasurers for any special assessments and/or real property taxes deferred for that year. The state treasurer pays the amounts certified by the Department to the county treasurers or the treasurers of the local improvement districts. The amount paid is distributed to the districts which levied the taxes or assessments.
- Maintain the deferral accounts receivable by posting payments and providing account information upon request.
- Make collection arrangements for accounts in collection status due to canceling events and, if unable to collect in three years, refer the account to the county treasurer for collection.

PROCEDURES FOR PROCESSING APPLICATIONS

The duties of the county assessor can be found in RCW 84.38.110 and WAC 458-18-070. Keeping in mind that each assessor's office probably has a little bit different way of administering the program, the following is a general guide.

1. In January of each year, mail renewal declarations to each claimant who received a deferral in the previous year.

2. Review the applications received and work with the taxpayer to gather any missing documents or make any necessary corrections, administrative segs, or adjustments to the tax roll based on exemption status.
   - ✓ In the area "to be completed by the Assessor's Office" at the bottom of Page 1, enter the "Application number". This is the applicant's deferral account number.
     - The deferral number <u>must</u> be in the following format for our software systems: ##-####.
     - The first 2 digits are your county code. The county codes are 01 – 39, in alpha order (i.e. Adams is 01 and Yakima is 39).

- The last 4 digits are the next consecutive deferral number in your county (0001 – 9999). If you have trouble finding that number, please contact us and we will try to help.
- If you are in a county where you have deferrals for this program (senior/disabled) and for the program for homeowners with limited income, you can also add an alpha code at the end of the number if it will help you differentiate between the two programs (i.e. ##-####-S or something similar).

✓ Make sure it's clear which taxes/special assessments are being deferred (i.e. the year(s) to be paid are listed and the box or boxes are checked indicating property taxes and/or special assessments. Make sure the due date for special assessments is provided – i.e. the month and day the special assessments are due.

✓ Verify age, disability, ownership, residency, and income the same way you would for an exemption.

✓ Verify that all other sections have been completed correctly.

✓ Verify that the application is signed by the applicant, the applicant's spouse or domestic partner, and any other owners of interest. If the application is not signed, DOR will need to return it so you can obtain signatures.

✓ Verify that the application is signed by the lender/mortgage company if the applicant's mortgage contract "requires the accumulation of reserves for the payment of property taxes". Make sure the applicant checks the appropriate box in Part 2 and make sure the mortgage company representative has completed Part 5.

✓ Verify that the applicant has listed the January 1 balance for all liens and mortgages and that the amounts listed are correct by looking at mortgage statements or other documents provided by the applicant.

✓ Verify the insurance information. The insurance amount we need is the amount of "dwelling coverage" listed on the policy. Make sure the applicant reads and understands the part about listing DOR as a "loss payee" on the policy. If DOR is NOT listed as a "loss payee", as far as we are concerned there IS no insurance because the policy will not protect the State's interest in the property. Make sure the applicant understands that the value of the dwelling cannot be included in the equity calculation unless the State is listed as "loss payee".

✓ In the area "to be completed by the Assessor's Office" at the bottom of Page 1, enter the most current market value available. If you have already mailed valuation notices, you should be using the new value for the current assessment year.

✓ Do a preliminary equity calculation. If, for some reason, the equity requirement is not met, DOR will return the application to you for denial.

✓ Verify the parcel size and zoning/land use requirements. If it's more than one acre, verify whether the larger parcel size is required by local land use requirements. **Make sure this part of the application is completed (under Part 3**). Taxes can be paid for up to 5 acres as long as the larger parcel size is required by local land use requirements.

- ✓ **Complete** any necessary administrative segs or combos prior to approval so you can include a correct tax parcel number, tax/assessment statement, and legal description with the application packet when you send it to DOR.
- ✓ Make sure the applicant has applied for an exemption if eligible.
- ✓ **Complete** any necessary corrections to the tax roll as a result of a new exemption or a change in status for an existing exemption. Include the corrected tax statement when you send the application packet to DOR.
- ✓ Approve or deny the deferral.

3. If the application is denied, notify the applicant in writing and include the reason for denial. The denial should include notification of appeal rights and procedures for submitting an appeal. Form 64 0090 is the correct appeal form to use.

4. If the application is approved, enter the approval date in the area "to be completed by the Assessor's Office" at the bottom of Page 1.
   - ✓ **Please do not** approve the application and send it to DOR until all administrative segs and/or adjustments for exemption status are completed.
   - ✓ Request a copy of the tax and/or special assessment statement(s) to include with the application packet when you send it to DOR.
     - ❖ **IMPORTANT:** If the deferral includes delinquent taxes/special assessments, the laws and rules allow DOR to pay penalties and interest through the last day of the month in which the application is approved by you. Make sure the statement(s) include interest calculated through the appropriate date.
     - ❖ **IMPORTANT:** If there are multiple years of delinquent tax, DOR requires a breakdown by year in order to issue payment. Make sure the breakdown by year is included on the statement(s).

5. Send the approved application to DOR, keeping either the original or a copy for your files. You can send the application packet by regular mail or via email in pdf format.
   - ✓ If you send the packet via email, make sure the scanned copy is legible. You may need to adjust the dpi setting on your scanner. If you can't easily read it after scanning, we will not be able to read it either.
   - ✓ **Do not send** the verification documents (income, age, disability, etc.).
   - ✓ **Include the tax and/or special assessment statement(s) with the application packet.**
   - ✓ Make sure to **include the legal description for new deferral applicants – not necessary for renewals**. DOR must file a lien before issuing payment. Include the legal description required for recording a valid lien against the subject property. You may need to include a copy of a prior deed if you only have the abbreviated legal.
   - ✓ **Include the insurance documentation** if it has been provided.

- ✓ **Include mobile home information for new deferral applicants – not renewals** - if the title has not been eliminated.
- ✓ Use the checklist on the following page to make sure everything is complete and ready to go.

6. When DOR requests payment by the State Treasurer, we will send you a copy of the report showing the payments that we requested. We usually do two requests each month. We also send a copy of the report to your treasurer and/or special district along with the tax and/or special assessment statements. Your treasurer will also receive notice from the State Treasurer of a pending EFT (Electronic Fund Transfer) and the deposit will be available to your treasurer within a couple of days after that notice.

7. If you receive notification of a sale of property, death of a claimant, move to a new residence, etc. for someone who has an active deferral account, notify DOR as soon as possible so we can contact the new owner, estate representative, etc. You can call or fax or send a hardcopy – or – just send an email with as much information as you have (i.e. date of sale, date of death, new address for the claimant, address for new owner, etc.).

8. In early January, you will receive a set of reports from DOR.
   - ❖ List of active deferral accounts - Review this list to make sure all of the applicants listed in your county still own and reside at the property where the tax was deferred.
   - ❖ List of accounts paid and closed – These accounts were paid and closed during the previous year. <u>If any of these applicants re-apply, you will need to assign a brand new deferral account number and treat the application like any other new deferral</u>.
   - ❖ List of participants who deferred taxes in the prior year - You can use this list as your mailing list to send renewals.

SENIOR CITIZENS AND DISABLED PERSONS CHECKLIST FOR DEFERRAL APPLICATIONS

_____ COUNTY

ASSESSOR'S DEPUTY: _____

PH: (____) _____-_____ FAX: (____) _____-_____

EMAIL: _____

TAXPAYER'S NAME:

DEFERRING: TAXES SPECIAL ASSESSMENTS

FOR YEAR(S):

APPLICATION (DEFERRAL NUMBER): _____

VERIFICATION AND ACTIONS COMPLETED:

AGE/DISABILITY/OWNERSHIP STATUS VERIFIED: _____

PARCEL SIZE/LAND USE REQUIREMENTS VERIFIED: _____

MORTGAGE AND OTHER LIENS VERIFIED: _____

EXEMPTION APPLIED IF ELIGIBLE: _____

ADMINISTRATIVE SEG COMPLETE IF NEEDED: _____

ATTACHMENTS INCLUDED WITH APPLICATION:

INSURANCE: WITH STATE LISTED AS LOSS PAYEE: _____

WITHOUT STATE LISTED AS LOSS PAYEE: _____

LEGAL DESCRIPTION: _____

MOBILE HOME INFO IF TITLED WITH DOL: _____

TAX/SPECIAL ASSESSMENT STATEMENT(S): _____

WITH INTEREST CALCULATED THROUGH: _____

NOTES:

SENIOR CITIZEN / DISABLED PERSON DEFERRAL

"QUICK REFERENCE"

SUBJECT	RCW 84.38	WAC 458-18
Appeals	040	090
Assessor Duties / Authority	110	070
County Foreclosure	RCW 84.64.050	
Definitions	020	010
Department Duties / Authority		080
Equity	020 030	010 020
Fire and Casualty Insurance	030	010 020 100
Five Acre Limit	020	010
Income Limit	030	020
Ownership	030	020
Qualifications	030	020
Refunds		210
Renewals	050	050
Repayment	130 160	100
Residence	020	010
Residency	070	100
Surviving Spouse or Domestic Partner	150	100

SENIOR CITIZENS / DISABLED PERSONS DEFERRALS

RCW 84.38.010	Legislative finding and purpose.
RCW 84.38.020	Definitions.
RCW 84.38.030	Conditions and qualifications for claiming deferral.
RCW 84.38.040	Declaration to defer special assessments and/or real property taxes - Filing - Contents - Appeal.
RCW 84.38.050	Renewal of deferral - Forms - Notice to renew - Limitation upon special assessment deferral amount.
RCW 84.38.060	Declaration of deferral by agent, guardian, etc.
RCW 84.38.070	Ceasing to reside permanently on property subject to deferral declaration.
RCW 84.38.080	Right to deferral not reduced by contract or agreement.
RCW 84.38.090	Procedure where residence under mortgage or purchase contract.
RCW 84.38.100	Lien of state, mortgage or purchase contract holder - Priority - Amount - Interest.
RCW 84.38.110	Duties of county assessor.
RCW 84.38.120	Payments to local improvement or taxing districts.
RCW 84.38.130	When deferred assessments or taxes become payable.
RCW 84.38.140	Collection of deferred assessments or taxes.
RCW 84.38.150	Election to continue deferral by surviving spouse.
RCW 84.38.160	Payment of part or all of deferred taxes authorized.
RCW 84.38.170	Collection of personal property taxes not affected.
RCW 84.38.180	Forms - Rules and regulations.
RCW 84.64.050	Certification of County – Foreclosure – Notice – Sale of Certain Residential Property Eligible for Deferral Prohibited.

WAC 458-18-010	Deferral of special assessments and/or property taxes - Definitions
WAC 458-18-020	Deferral of special assessments and/or property taxes - Qualifications for deferral.
WAC 458-18-030	Deferral of special assessments and/or property taxes - Declarations to defer - Filing - Forms.
WAC 458-18-040	Deferral of special assessments and/or property taxes - Lien of state - Mortgage - Purchase contract - Deed of trust.
WAC 458-18-050	Deferral of special assessments and/or property taxes - Declarations to renew deferral - Filing - Forms.
WAC 458-18-060	Deferral of special assessments and/or property taxes - Limitations of deferral - Interest.
WAC 458-18-070	Deferral of special assessments and/or property taxes - Duties of the county assessor.
WAC 458-18-080	Deferral of special assessments and/or property taxes - Duties of the department of revenue - State treasurer.
WAC 458-18-090	Deferral of special assessments and/or property taxes - Appeals.
WAC 458-18-100	Deferral of special assessments and/or property taxes - When payable - Collection - Partial payment.
WAC 458-18-210	Refunds – Procedure – Interest.
WAC 458-18-215	Refunds – Payment under protest requirements.
WAC 458-18-220	Refunds – Rate of interest.
WAC 458-18-500	Deposit of moneys, assessments or taxes - Purpose.
WAC 458-18-510	Definitions.
WAC 458-18-520	Agreement.
WAC 458-18-530	Prohibition of deposit.
WAC 458-18-540	General provisions.
WAC 458-18-550	Expenditure of funds.

Section IV

Deferral Program For Homeowners with Limited Income

HOMEOWNERS WITH LIMITED INCOME DEFERRAL PROGRAM

INTRODUCTION

The purpose of this deferral program is to provide a property tax safe harbor for families in economic crisis and prevent existing homeowners from being driven from their homes because of rising property taxes. See RCW 84.37.010(2).

Deferral programs are a postponement of the taxes. The State of Washington pays the taxes for the applicant and files a lien to secure the State's interest in the property. The taxes, plus accrued interest, must be repaid to the State when there is a "canceling event". The lien created by the deferral program can only be assumed by a surviving spouse or domestic partner.

This deferral program is only applicable to property taxes and special assessments billed on the regular annual tax statement. Under the program laws, the applicant can request payment of the second half of the regular property tax installment due in October.

THE APPLICANT

The applicant must have an ownership interest in the property and the property must be the applicant's primary residence. Combined disposable income for the applicant and the applicant's spouse or domestic partner and any co-tenants must not exceed $57,000.

AGE AND DISABILITY REQUIREMENTS

There is no age or disability requirement for this program.

OWNERSHIP AND RESIDENCY REQUIREMENTS

This deferral applies only to the taxes or assessments on the applicant's primary residence and up to one acre of land, or, up to five acres if the excess acreage is required by local zoning/land use regulations.

The residence must be the applicant's principal home. The taxpayer may still be eligible while confined to a hospital, nursing home, assisted living facility (boarding home), or adult family home as provided in RCW 84.36.381(1).

Under the laws and rules for this program, taxes cannot be deferred in the first five calendar years of ownership. This means, in order to qualify for deferral in 2018, the applicant must have acquired the property prior to December 31, 2013.

Qualifying ownership is the same as for the *Deferral Program for Senior Citizens and Disabled Persons* and includes fee simple and contract purchase (purchase contract or deed of trust). A person who has only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust does not satisfy the ownership requirement. RCW 84.37.030(5) and RCW 84.38.030(4) .

An irrevocable trust may meet the ownership qualification. The trust must be expressly not revocable **and** the applicant must be the **trustee** or **beneficiary and** the applicant must have a life-time beneficial interest in the residence or the portion of the trust containing the residence (i.e. the trust estate containing the residence). **In addition, there cannot be a "spendthrift" clause that prevents encumbrance of the trust assets.**

For the Deferral Program, we have to make sure that the applicant has a vested interest in the property because, in effect, the interest in the real property is being used as collateral for a "loan". With respect to most private trusts, the trustee holds legal title to the trust property, is the representative or agent of the trust, and has the capacity to sue and be sued on behalf of the trust. The beneficiaries of a trust are the persons with equitable ownership of the trust assets, although legal title is held by the trustee.

Watch for clauses that prevent the trustee and/or beneficiary from encumbering the trust property.

When someone defers property tax, the State has to encumber the property in the form of a lien filed against that property. If there is a type of "spendthrift" clause that prevents encumbrance, we will not be able to pay the property tax because we cannot file the lien against the property to secure the state's interest.

INCOME

The maximum amount of combined disposable income the applicant, spouse, domestic partner, and co-tenants may receive and still be eligible for this program is $57,000. RCW 84.37.030(2).

Applications are filed in the year the taxes are due and income from the preceding year is used to determine eligibility. Include the income of the applicant, the applicant's spouse or domestic partner, and any co-tenants. To calculate income, follow the same rules and procedures as for the exemption program. See RCW 84.36.383, WAC 458-16A-100, and the Combined Disposable Income section of this manual.

TO QUALIFY FOR DEFERRAL ON TAXES PAYABLE IN 2018

1. The application must be filed by September 1, 2018.

2. Combined disposable income must not exceed $57,000 in 2017.

4. The applicant must have owned the home since at least December 31, 2013.

5. The applicant must live in the home as of January 1, 2018 and must live there for more than six months in 2017.

6. The applicant must pay the first half taxes due April 30, 2018.

7. The applicant must have and maintain sufficient equity to protect the interest of the State of Washington in the residence.

8. The applicant may not apply for deferral under this program and the deferral program for senior citizens and disabled persons in the same tax year.

TO QUALIFY FOR DEFERRAL ON TAXES PAYABLE IN 2019

1. The application must be filed by September 1, 2019.

2. Combined disposable income must not exceed $57,000 in 2018.

4. The applicant must have owned the home since at least December 31, 2014.

5. The applicant must live in the home as of January 1, 2019 and must live there for more than six months in 2018.

6. The applicant must pay the first half taxes due April 30, 2019.

7. The applicant must have and maintain sufficient equity to protect the interest of the State of Washington in the residence.

8. The applicant may not apply for deferral under this program and the deferral program for senior citizens and disabled persons in the same tax year.

EQUITY

As with the *Deferral Program for Senior Citizens and Disabled Persons*, the maximum dollar amount of deferred taxes allowable on a parcel is limited by the applicant's equity in the property.

Equity is the amount by which the market assessed value of the property exceeds all liens and encumbrances against the property. See WAC 458-18A-010(7). Liens and encumbrances include mortgages, IRS liens, the unpaid balance on special assessments, any balance due the Department of Social and Health Services or HUD, etc., and any other obligations constituting a lien against the property.

In order to include the value of the dwelling in the equity calculation, insurance must be maintained on the residence to protect the interest of the state and the State of Washington Department of Revenue must be named as "loss payee" on the insurance policy. **When insurance is not maintained OR the State of Washington is not named as "loss payee" on the policy, the maximum amount of taxes that can be deferred is reduced since only the value of the land can be included in the equity calculation.**

An applicant who does not carry fire insurance is limited to 100 percent of the equity in the land value only. This means that if the applicant has a mortgage on the home, or any other liens, the amount of the mortgage (and other liens) will be deducted from the land value to determine equity.

Applicants who carry fire insurance on their homes **and** who have listed the State as loss payee on the policy can include the value of the residence (the assessed value or the insured value, whichever is lower) in the equity calculation. Deferrals under this program are limited to a maximum of 40 percent (40%) of the aggregate equity value of the home and land.

EQUITY CALCULATION

With Co-owners

For this deferral program, we can pay the entire second half tax bill due in October but the equity calculation will be based only on the assessed value of the applicant's ownership share. To calculate the equity, use the applicant's share of value, minus ALL of the liens and encumbrances.

With Insurance

To calculate the equity when the claimant has fire and casualty insurance on the house and lists the State as a loss payee on the policy:

1. Determine the most current market assessed value of the property - land and improvements. Do not use the frozen value, current use value, or a private fee appraisal value. For the dwelling, use the assessor's market value **or** the dwelling coverage amount on the insurance policy, whichever is lower. **Note:** Before the current year valuation notices are mailed, you will actually be using last year's value. As soon as the current year valuation notices are mailed, you should be using the new value because that is now the most current value.

2. Determine the total of all the liens and obligations against the property – except any existing deferral account balance.

3. Verify that the applicant has fire and casualty insurance on the home **and** has listed the State as a loss payee on the policy. **Note:** In no case shall the deferred amount exceed the amount of the insured value of the improvement plus the value of the land.

4. Calculate the equity by subtracting the liens and obligations from the market assessed value of the property (land and improvements).

5. Multiply the balance, (if any), by 0.40 to arrive at 40 percent (40%) of equity. The applicant may then defer up to this amount.

6. If the applicant has an existing deferral account balance, subtract that balance to determine the amount still available for deferral.

Without Insurance

When the applicant has no insurance OR does not list the State as a loss payee on the policy:

1. Determine the most current market assessed value of the property - land and improvements.
2. Determine the sum of all of the liens and obligations against the property.
3. Calculate the equity by subtracting the liens and obligations from the true and fair market assessed value of the land only (the improvement value is not included).
4. The applicant may defer up to this amount. When establishing an applicant's equity using only the land value, 100 percent (100%) of the equity is used rather than 40 percent (40%).
5. If the claimant has an existing deferral account balance, subtract that balance to determine the amount still available for deferral.

Example:	**Ins/State Listed**	**No Ins/State Not Listed**
Land Value:	$250,000	$250,000
Improvement Value:	$350,000	$350,000
Insurance: Dwelling Coverage	$400,000	$400,000
State as Loss Payee?	Yes	No
Value to Include in Calculation	$600,000*	$250,000
Total Liens and Encumbrances	$225,000	$225,000
Equity	$375,000	$ 25,000
Percent of Equity Allowed	40%	100%
Available for Deferral	$150,000	$ 25,000
Existing Deferral Balance	$ 15,000	$ 15,000
Remaining Amount Available	$135,000	$ 10,000

***Use the improvement value or the dwelling coverage value – whichever is lower.**

APPLICATION PROCESS

A signed application form must be filed each year that an applicant wants to defer taxes. Applications are filed at the assessor's office in the county where the property is located. The assessor has the authority to approve or deny a deferral.

The filing deadline is September 1. An application may only be filed after that date for "good cause".

For purposes of this program, **"good cause"** means "factors peculiar to each claimant. At a minimum, the applicant must be able to demonstrate that factors outside of his or her control were the cause for missing the statutory deadline. This includes factors which would effectively prevent a reasonable person facing similar circumstances from filing a timely application, such as acting or failing to act based on authoritative written advice received directly from persons upon which a reasonable person would normally rely, severe weather conditions preventing safe travel to the point of filing, incapacity due to illness or injury, and other factors of similar gravity. Inadvertence or oversight is not a basis for a "good cause" extension of the filing deadline." See WAC 458-18A-010(9).

Requests for "good cause" waivers of the filing deadline should be submitted in writing by the taxpayer to the Department of Revenue and should include information demonstration there was "good cause" for having missed the filing deadline. RCW 84.37.040(1)

Requests can be submitted by email to mydeferral@dor.wa.gov or by regular mail to Department of Revenue Property Tax Division, Exemptions and Deferrals, P.O. Box 47471, Olympia, WA 98504.

The application must contain the following information:

- Name and mailing address of applicant
- Phone number and email address if applicable
- Names of spouse, domestic partner, and cotenants
- County parcel number
- Property information – purchase date, occupancy date, acreage, zoning/land use requirements, etc.
- Mobile home title if applicable (if title has not been eliminated lien needs to be filed with DOL)
- Mobile home title elimination if applicable
- Legal description
- Property tax year
- Property tax statement
- Balance of mortgages, liens, and encumbrances against the property
- Homeowner's insurance policy/declaration information
- Prior year income
- Names and signatures of all other owners
- Signature of the applicant and date signed

DELINQUENT FILINGS FOR THE LIMITED INCOME DEFERRAL PROGRAM

There is no provision for payment of delinquent taxes and assessments. Under this program, only the second installment of taxes due in October of the current tax year is eligible for deferral. The first half of the property taxes due in April of the current tax year must already be paid.

Prior year delinquencies do not prevent deferral in the current year but DOR cannot pay the prior year taxes.

LIENS ON REAL PROPERTY

The assessor's office generally provides the Department of Revenue (DOR) with a legal description of the property. DOR files a lien with the county auditor to show as a public record that the state has an interest in this property. In a situation involving excess acreage not eligible for deferral it is the responsibility of the applicant to provide a legal description of the residence and the portion of land that will be included in the deferral. If the applicant chooses not to do this, DOR files the lien on the entire property, even when the state is only paying the taxes on a portion of the land.

LIENS ON MOBILE HOMES

When an applicant has a manufactured home that is licensed through Department of Licensing, such as a manufactured home on a rented lot in a park, the Department **must** have the manufactured home title information in order to record the state as a lien-holder on that title.

Unless the title has been eliminated, when a deferral includes a mobile home the Department is required by law to file a lien on the mobile home (See RCW 84.37.070).

DOR files an "Application for Certificate of Title" with the Department of Licensing to show the State of Washington, Department of Revenue, as a lien-holder even when the Department is also filing a lien on the real property.

Before the lien can be recorded, the title must be in the applicant's name. For any change in the "registered owner", the Department of Licensing considers the transaction to be a change in ownership and requires original documents. Since DOR rarely receives original documents for deferral applications, in order to meet the ownership requirement, the title for a manufactured home must show the applicant as the registered owner.

When you forward the deferral application to the Department, please include documentation showing that the applicant is the registered owner and include the standard info on the manufactured home (size, manufacturer, year, VIN, plate, etc…).

APPEALS

If an application is denied, the claimant may appeal to the county Board of Equalization. The decision by the county Board of Equalization is final. There is no provision for appeal to the State Board of Tax Appeals. If the applicant is notified of a denial subsequent to July 15, the department may reconvene the Board of Equalization if requested to do so by the assessor or claimant. WAC 458-18-090.

REPAYMENT OF DEFERRED TAXES

The Department of Revenue Property Tax Division will provide repayment figures upon request. We can be reached at (360) 534-1400 or at mydeferral@dor.wa.gov.

Repayments should be made directly to the Washington State Department of Revenue and may be made in either a lump sum amount or partial payments. Partial payments are applied to the oldest interest first, and then applied to the oldest taxes.

No payments are required as long as the applicant remains eligible for the program, but the applicant can make payments at any time he/she chooses in order to reduce the account balance.

The deferred taxes plus interest **must** be repaid to the state when the:

- property's ownership is transferred;
- applicant ceases to reside permanently on the property;
- applicant fails to keep adequate fire insurance;
- applicant passes away (unless a qualifying spouse or domestic partner elects to continue in the program; or

- ❖ property is condemned.

Under the laws and rules, these are "canceling events" (events that cause collection action) and repayment must be completed within three years of the date of the canceling event. Failure to make complete repayment within the three years will result in the county treasurer foreclosing on the property.

INTEREST RATES

Under this program, the interest rate is a variable rate defined in RCW 84.37.070 as the "average of the federal short-term rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points."

The following table shows the historic rates to date.

Tax Year	Interest Rate
2008	7%
2009	5%
2010	3%
2011	3%
2012	2%
2013	2%
2014	2%
2015	2%
2016	2%
2017	3%
2018	3%
2019	4%

APPLICANT RESPONSIBILITIES

Applicants must:

- ➢ Provide documentation requested by the assessor.
- ➢ Notify insurance company of requirement to add State of Washington Department of Revenue as "loss payee" and provide documentation either with application packet or directly to DOR.
- ➢ Notify the assessor and the Department of Revenue when there is a "canceling event".
- ➢ File an application or renewal application by September 1 for each year in which deferral of taxes and/or special assessments is desired.
- ➢ Provide a legal description for the residence and the portion of land eligible for deferral. This applies when the parcel includes excess acreage not eligible for deferral and the applicant wishes to exclude that acreage from the lien filed by the Department.

ASSESSOR RESPONSIBILITIES

The duties of the county assessor can be found in RCW 84.38.110 (per RCW 84.37.090) and WAC 458-18A-070.

The assessor must:

- Mail renewal declarations in January of each year to each claimant who received a deferral the previous year.
- Determine each year if each claimant filing a declaration to defer shall be granted a deferral. The authority to approve or deny each deferral or deferral renewal lies with the assessor.
- Notify the claimant as soon as possible if the application is denied. Denials must be in writing and should include information about appeal rights and procedures as well as the reasons for the denial.
- Notify the county treasurer of which claimants and properties have qualified for deferral and request a tax statement for the second installment property taxes and special assessments due in October.
- Transmit one copy of the approved declaration to the department, with the legal description, tax statement, and insurance documentation (unless the insurance documentation is being sent directly to the Department).
- Notify the county treasurer and the department immediately upon occurrence of any repayment conditions set forth in WAC 458-18A-100(1).

DEPARTMENT RESPONSIBILITIES

The Department must:

- Notify the county assessor as soon as possible if any factor appears to disqualify the claimant. The department may audit any "declaration to defer" and/or "declaration to renew deferral" it deems necessary.
- File a lien with the county recorder and/or notify the Department of Licensing to show the state's lien on the certificate of title of a manufactured home.
- Certify to the state treasurer the amount due the respective treasurers for any special assessments and/or real property taxes deferred for that year. The state treasurer pays the amounts certified by the Department to the county treasurers and the amount paid is then distributed to the districts which levied the taxes or assessments.
- Maintain the deferral accounts receivable by posting payments and providing account information upon request.

- Make collection arrangements for accounts in collection status due to canceling events and, if unable to collect in three years, refer the account to the county treasurer for collection.

PROCEDURES FOR PROCESSING APPLICATIONS

Keeping in mind that each assessor's office probably has a little bit different way of administering the program, the following is a general guide.

1. In January of each year, mail renewal declarations to each claimant who received a deferral in the previous year.

2. Review the applications received and work with the taxpayer to gather any missing documents or make any necessary corrections, administrative segs, or adjustments to the tax roll based on exemption status.
   - ✓ In the area "to be completed by the Assessor's Office" at the bottom of Page 1, enter the "Application number". This is the applicant's deferral account number.
     - The deferral number must be in the following format for our software systems: ##-####.
     - The first 2 digits are your county code. The county codes are 01 – 39, in alpha order (i.e. Adams is 01 and Yakima is 39).
     - The last 4 digits are the next consecutive deferral number in your county (0001 – 9999). If you have trouble finding that number, please contact us and we will try to help.
     - If you are in a county where you have deferrals for this program and for the deferral program for senior citizens and disabled persons, you can also add an alpha code at the end of the number if it will help you differentiate between the two programs (i.e. ##-####-L or something similar).
   - ✓ Verify ownership, residency, and income the same way you would for an exemption.
   - ✓ Verify that all other sections have been completed correctly.
   - ✓ Verify that the application is signed by the applicant, the applicant's spouse or domestic partner, and any other owners of interest. If the application is not signed, DOR will need to return it so you can obtain signatures.
   - ✓ Verify that the applicant has listed the January 1 balance for all liens and mortgages and that the amounts listed are correct by looking at mortgage statements or other documents provided by the applicant.
   - ✓ Verify the insurance information. The insurance amount we need is the amount of "dwelling coverage" listed on the policy. Make sure the applicant reads and understands the part about listing DOR as a "loss payee" on the policy. If DOR is NOT listed as a "loss payee", as far as we are concerned there IS no insurance because the policy will not protect the State's interest in the property. Make sure the applicant understands that the value of the dwelling cannot be included in the equity calculation unless the State is listed as "loss payee".

- ✓ In the area "to be completed by the Assessor's Office" at the bottom of Page 1, enter the most current market value available. If you have already mailed valuations notices, you should be using the new value for the current assessment year.
- ✓ Do a preliminary equity calculation. If, for some reason, the equity requirement is not met, DOR will return the application to you for denial.
- ✓ Verify the parcel size and zoning/land use requirements. If it's more than one acre, verify whether the larger parcel size is required by local land use requirements. **Make sure this part of the application is completed (under Part 3)**. Taxes can be paid for up to 5 acres as long as the larger parcel size is required by local zoning/land use regulations.
- ✓ **Complete** any necessary administrative segs or combos prior to approval so you can include a correct tax parcel number, tax/assessment statement, and legal description with the application packet when you send it to DOR.
- ✓ **Complete** any necessary corrections to the tax roll as a result of a new exemption or a change in status for an existing exemption. Include the corrected tax statement when you send the application packet to DOR.
- ✓ Approve or deny the deferral.

3. If the application is denied, notify the applicant in writing and include the reason for denial. The denial should include notification of appeal rights and procedures for submitting an appeal. Form 64 0090 is the correct appeal form to use.

4. If the application is approved, enter the approval date in the area "to be completed by the Assessor's Office" at the bottom of Page 1.
   - ✓ **Please do not** approve the application and send it to DOR until all administrative segs and/or adjustments for exemption status are completed.
   - ✓ Request a copy of the tax statement to include with the application packet when you send it to DOR.

5. Send the approved application to DOR, keeping either the original or a copy for your files. You can send the application packet by regular mail or via email in pdf format.
   - ✓ If you send the packet via email, make sure the scanned copy is legible. You may need to adjust the dpi setting on your scanner. If you can't easily read it after scanning, we will not be able to read it either.
   - ✓ **Do not send** the income verification documents.
   - ✓ **Include the property tax statement with the application packet.**
   - ✓ Make sure to **include the legal description for new deferral applicants – not necessary for renewals**. DOR must file a lien before issuing payment. Include the legal description required for recording a valid lien against the subject property. You may need to include a copy of a prior deed if you only have the abbreviated legal.
   - ✓ **Include the insurance documentation** if it has been provided.

- ✓ **Include manufactured home information for new deferral applicants – not renewals** - if the title has not been eliminated.
- ✓ Use the checklist on the following page to make sure everything is complete and ready to go.

6. When DOR requests payment by the State Treasurer, we will send you a copy of the report showing the payments that we requested. We usually do two requests each month. We also send a copy of the report to your treasurer and/or special district along with the tax and/or special assessment statements. Your treasurer will also receive notice from the State Treasurer of a pending EFT (Electronic Fund Transfer) and the deposit will be available to your treasurer within a couple of days after that notice.

7. If you receive notification of a sale of property, death of a claimant, move to a new residence, etc. for someone who has an active deferral account, notify DOR as soon as possible so we can contact the new owner, estate representative, etc. You can call or fax or send a hardcopy – or – just send an email with as much information as you have (i.e. date of sale, date of death, new address for the claimant, address for new owner, etc.).

8. In early January, you will receive a set of reports from DOR.
   - ❖ List of active deferral accounts - Review this list to make sure all of the applicants listed in your county still own and reside at the property where the tax was deferred.
   - ❖ List of accounts paid and closed – These accounts were paid and closed during the previous year. If any of these applicants re-apply, you will need to assign a brand new deferral account number and treat the application like any other new deferral.
   - ❖ List of participants who deferred taxes in the prior year - You can use this list as your mailing list to send renewals.

HOMEOWNERS WITH LIMITED INCOME
CHECKLIST FOR DEFERRAL APPLICATIONS

_____ COUNTY

ASSESSOR'S DEPUTY: _____

PH: (____) _____-_____ FAX: (____) _____-_____

EMAIL: _____

TAXPAYER'S NAME:

DEFERRING 2ND HALF TAX DUE OCTOBER 31 FOR TAX YEAR:

APPLICATION (DEFERRAL NUMBER): _____

VERIFICATION AND ACTIONS COMPLETED:

OWNERSHIP STATUS VERIFIED: _____

PARCEL SIZE/LAND USE REQUIREMENTS VERIFIED: _____

MORTGAGE AND OTHER LIENS VERIFIED: _____

ADMINISTRATIVE SEG COMPLETE IF NEEDED: _____

ATTACHMENTS INCLUDED WITH APPLICATION:

INSURANCE: WITH STATE LISTED AS LOSS PAYEE: _____

WITHOUT STATE LISTED AS LOSS PAYEE: _____

LEGAL DESCRIPTION: _____

MOBILE HOME INFO IF TITLED WITH DOL: _____

TREASURER'S TAX STATEMENT: _____

NOTES:

DEFERRAL PROGRAM
FOR
HOMEOWNERS WITH LIMITED INCOMES

"QUICK REFERENCE"

Subject	RCW 84.37	WAC 458-18A
Administration	040	030
Appeals	040	090
Assessor Duties/Authority	040	070
Definitions	020	010
Department Duties/Authority		080
Equity	020 030	010 020
Fire and Casualty Insurance		010 020 100
Good Cause	040	010(9)
Income	030	020
Lien and Interest Rate	070	040 060
Ownership	030	020
Qualifications	030	020
Renewals	050	050
Repayment	080	100
Residence		010
Residency	030 050	020 100
Surviving Spouse or Domestic Partner	080	100

HOMEOWNERS WITH LIMITED INCOME

RCW 84.37.010	Findings – Intent.
RCW 84.37.020	Definitions.
RCW 84.37.030	Deferral program qualifications.
RCW 84.37.040	Deferral program administration.
RCW 84.37.050	Renewals – Requirement to reside on property.
RCW 84.37.060	Right to defer not reduced by contract or agreement.
RCW 84.37.070	State lien on property.
RCW 84.37.080	Conditions under which deferment ends.
RCW 84.37.090	Applicable statutory provisions.
RCW 84.37.900	Severability – 2007 sp.s. c 2.
RCW 84.37.901	Application -- 2007 sp.s. c 2.
RCW 84.37.902	Review by the joint legislative audit and review committee.
RCW 84.37.903	Effective date -- 2007 sp.s. c 2.

HOMEOWNERS WITH LIMITED INCOME

WAC 458-18A-010	Deferral of special assessments and/or property taxes - Definitions
WAC 458-18A-020	Deferral of special assessments and/or property taxes - Qualifications for deferral.
WAC 458-18A-030	Deferral of special assessments and/or property taxes - Declarations to defer - Filing - Forms.
WAC 458-18A-040	Deferral of special assessments and/or property taxes - Lien of state - Mortgage - Purchase contract - Deed of trust.
WAC 458-18A-050	Deferral of special assessments and/or property taxes - Declarations to renew deferral - Filing - Forms.
WAC 458-18A-060	Deferral of special assessments and/or property taxes - Limitations of deferral - Interest.
WAC 458-18A-070	Deferral of special assessments and/or property taxes - Duties of the county assessor.
WAC 458-18A-080	Deferral of special assessments and/or property taxes - Duties of the department of revenue - State treasurer.
WAC 458-18A-090	Deferral of special assessments and/or property taxes - Appeals.
WAC 458-18A-100	Deferral of special assessments and/or property taxes - When payable - Collection - Partial payment.

Section V

Grant Assistance Program for Widows and Widowers Of Veterans

GRANT ASSISTANCE PROGRAM FOR WIDOWS AND WIDOWERS OF VETERANS

INTRODUCTION

The purpose of this program is to provide assistance to widows or widowers of qualified veterans so they can remain in their homes in spite of rising property taxes. This program is not a true exemption or a deferral. For the qualified applicant the state pays, in the form of a grant, a portion of the property taxes levied. There is no shift of the property tax burden to other taxpayers and there is no requirement for repayment unless the applicant ceases to occupy the home as a primary residence prior to December 15 in the year the assistance was paid.

THE APPLICANT

The applicant must meet the age/disability requirement, must have an ownership interest in the property, and the property must be the applicant's primary residence. The applicant must be the widow or widower of a qualifying veteran and must not have remarried or entered into a state registered domestic partnership.

A qualifying veteran is one who:

- Died as a result of a service-connected disability; OR
- Was rated as 100 percent disabled by the Veteran's Administration for the 10 years prior to his or her death; OR
- Was a former prisoner of war and was rated as 100 percent disabled for one or more years prior to his or her death; OR
- Died on active duty or in active training status.

AGE AND DISABILITY REQUIREMENTS

The applicant must be at least 62 by December 31 of the application year.

- OR -

The applicant must be disabled. The definition of disability in RCW 84.36.383(7) has been linked to the definition used for Social Security purposes [U.S.C. Sec. 423(d)(1)(A)]. The disability must be such that the applicant is unable to pursue substantial gainful employment and

the condition must either be expected to result in death or must have lasted, or be expected to last, for a continuous period of at least 12 months. The disability need not be permanent. Annually, the Social Security Administration determines the amount a claimant may earn without being considered "gainfully employed". There are separate limits for those who are blind. You can find annual limits for allowable earned income in the Combined Disposable Income section of this manual or at the Social Security website at Substantial Gainful Activity.

RESIDENCY AND OWNERSHIP REQUIREMENTS

The residence must be the applicant's principal home. He/she must live in the home for more than six months each year. The home may be temporarily unoccupied while the applicant is in a hospital, nursing home, assisted living facility (boarding home), or adult family home as provided in RCW 84.36.381(1).

The applicant must have had an ownership interest in the property as of December 31 of the assessment year for tax relief in the following year.

Qualifying ownership is the same as for the *Deferral Program for Senior Citizens and Disabled Persons* and includes fee simple and contract purchase (purchase contract or deed of trust). A person who has only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust does not satisfy the ownership requirement. RCW 84.37.030(5) and RCW 84.38.030(4) .

An irrevocable trust may meet the ownership qualification. The trust must be expressly not revocable **and** the applicant must be the **trustee** or **beneficiary and** the applicant must have a life-time beneficial interest in the residence or the portion of the trust containing the residence (i.e. the trust estate containing the residence). **In addition, there cannot be a "spendthrift" clause that prevents encumbrance of the trust assets.**

The assistance applies to the primary residence and one acre, or up to five acres if the larger parcel size is required under local land use regulations. The residence may be a single-family dwelling, one unit of a multi-unit dwelling, or a manufactured home.

TO QUALIFY FOR ASSISTANCE ON TAXES PAYABLE IN 2019

1. The application is due 30 days before the tax due date.
2. Combined disposable income must not exceed $40,000 in 2018.
3. The applicant must be at least 62 years of age by December 31, 2019, or must have been disabled as of December 31, 2018.
4. The applicant must own the home live in it as of December 31, 2018, and must reside in the home for at least six months in 2019.

INCOME REQUIREMENTS

The combined disposable income for the applicant and any co-tenants must not exceed $40,000.

Applicants should also apply for the exemption program in order to receive the maximum amount of property tax assistance.

FILING THE APPLICATION

The application is due 30 days before the taxes are due. Applications are submitted directly to the Department of Revenue. In order to continue receiving assistance, the participant must submit an annual renewal application.

APPEALS

When an application is denied, it may be appealed to the State Board of Tax Appeals within 30 days of the date the determination was mailed.

ASSISTANCE LEVELS

To receive the maximum amount of assistance, applicants who are qualified must also apply for the Exemption Program. When an application is approved, the assistance from the grant program is equal to the regular and excess property taxes that are due on the difference between the value of the residence that is eligible for relief under the Exemption Program and:

- The first $100,000 of assessed value of the residence for applicants with a combined disposable income of $30,000 or less;
- The first $75,000 of assessed value of the residence for applicants with a combined disposable income of $30,001 to $35,000;
- The first $50,000 of assessed value of the residence for applicants with a combined disposable income of $35,001 to $40,000.

Example: If the value of the residence is $200,000 and the CDI is $32,000, under the Exemption Program the applicant is eligible for an exemption on $70,000 in value. Under the Grant Assistance Program, the applicant is eligible for additional assistance in the amount equal to the taxes on an additional $5,000 in value. Whether or not the applicant applies for the Exemption, under the Grant Assistance Program he/she will still only receive assistance for taxes on the additional $5,000 in value.

REPAYMENT OF ASSISTANCE

If the applicant moves to an alternate residence, all or part of the assistance received by the applicant may have to be repaid if the applicant ceases to occupy the property prior to December 15 of the year in which assistance is received. In this case, the amount of assistance is prorated from the date the applicant moved out. A lien may be placed on the property until repayment of the assistance has been completed.

APPLICANT RESPONSIBILITIES

Applicants must:

- Provide documentation requested by the department.
- Notify the department if the home is no longer used as a primary residence.
- File a renewal application for each year in which they wish to receive assistance.
- Provide a legal description for the residence and the portion of land eligible for assistance.

DEPARTMENT RESPONSIBILITIES

The Department must:

- Mail renewal declarations in January of each year to each claimant who received assistance the previous year.
- Determine each year whether the applicant is eligible for assistance and determine the assistance amount. The authority to grant or deny claims for assistance under this program lies with the Department.
- Notify the claimant as soon as possible if the application is denied. Denials must be in writing and include information about appeals rights and procedures as well as the reasons for the denial.
- Issue payment to applicant or applicant’s mortgage company as requested by applicant.
- Make collection arrangements for any prorated amount in the case where an applicant vacates the primary residence prior to December 15 in the year the claim is paid.
- Maintain the accounts receivable by posting payments and providing account information upon request.
- File a lien with the county recorder and/or notify the Department of Licensing to show the state's lien on the certificate of title of a manufactured home if necessary for collection of repayments.

ASSESSOR RESPONSIBILITIES

The assessor must:

- Provide application forms and publications for taxpayers who may qualify for the program.
- Provide information requested by the department via automated email, i.e. property information, value, levy rates, and exemption level. Following is a sample email request.

*I have received an application for the Property Tax Assistance Program for Widows or Widowers of Veterans on parcel number(s) ########, owned by **Applicant Name**.*

Under this program, assistance may be provided for payment of taxes on the primary residence and up to one acre, or up to five acres if local zoning and land use regulations require the larger parcel size. (Example: If local zoning requires 5 acres per residence and an applicant owns 1 acre, the exemption would apply to 1 acre. If local zoning requires 2 acres per residence and an applicant owns 5 acres, the exemption would apply to 2 acres. If the zoning requirement is 10 acres per residence and an applicant owns 10 acres, the exemption would apply to 5 acres.)

*Please provide the following parcel data for tax year **Year**:*

This property includes: (check all that apply)

___ *More than one residence and/or additional improvements that are not normally part of a residence.*

___ *More than one acre of land. If yes, provide the following:*
Total lot or parcel size:_____
Minimum parcel size per residence required by local zoning/land use regulations:_____

Values

1. *Assessed Value:_____ _____Frozen Value **or** _____Market Value*
   (Provide the frozen or market value, as applicable.)

2. *Exempt Value:_____*
   (Provide the portion of the frozen value exempt regular levy taxes through the Exemption Program.)

3. *Taxable Value:_____*
   (Provide the taxable value after the exemption is applied – i.e. Line 1 minus Line 2.)

Levy Rates

A. *Regular Levy Rate:_____(Including Part I of State School Levy)*

B. *Part 2 of State School Levy:_____*

C. *Excess Levy Rate:_____(Voter approved levies)*

D. *Total Combined Levy Rate:_____(A + B + C)*

If this parcel is currently subject to an exemption under the Senior Citizen/Disabled Person Exemption Program, what is the Combined Disposable Income level of the applicant?

___$0 to $30,000 ___$30,001 to $35,000 ___$35,001 to $40,000 ___Not Exempt

Please reply via e-mail or fax and contact me with any questions or concerns.

Thank you in advance for your prompt response to this request.

Sincerely,

Grant Administrator

GRANT ASSISTANCE PROGRAM FOR WIDOWS AND WIDOWERS OF VETERANS

"QUICK REFERENCE"

Subject	RCW 84.39
Appeals	020
Assessor/Treasurer Duties	060
Definitions	010
Department Duties / Authority	060
Documentation	020
Filing Requirements	020
Income Limit	010
Qualifications for Applicant	010
Qualifications for Deceased Veteran	010
Renewals	030
Repayment	050

REVISED CODE OF WASHINGTON

RCW 84.39.010	Exemption authorized -- Qualifications.
RCW 84.39.020	Filing claim for exemption -- Requirements.
RCW 84.39.030	Continued eligibility -- Renewal forms.
RCW 84.39.040	Agent or guardian filing claim on behalf of claimant.
RCW 84.39.050	Failure to reside on property -- Repayment.
RCW 84.39.060	Determination of assistance -- Biennial budget request.

Section VI

Residency and Ownership

RESIDENCY AND OWNERSHIP

RESIDENCY

RCW 84.36.381 says the "property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of the time of filing."

The "time of filing" is when the application was due had it been filed on time – i.e. December 31 of the year before the tax to be exempted is due. So, to receive exemption on the 2019 taxes, the applicant must occupy the residence as of 12/31/2018.

WAC 458-16A-100(25) says that "principal residence" means the claimant owns and occupies the residence as his or her principal or main residence. It does not include a residence used merely as a vacation home. For purposes of continuing these programs, the claimant must occupy the residence for **more than six months each year**. That means the applicant must meet the "more than six months" requirement in each year **going forward** in order to continue uninterrupted participation in the program.

> Example 1: The applicant purchases the home in December and, literally, moves in on December 31. He/she still meets the initial application requirement for that first "claimed" exemption. However, after that, he/she has to live there for more than 6 months each year in order to continue the exemption.
>
> Example2: The applicant is a "snowbird" and travels to a warmer and dryer location during the wettest and coldest months. The applicant lives in the residence from March through October and then flies south for November through February. He/she is still considered to be occupying the residence as the primary residence as of December 31 because he/she is still living in the home for more than six months each year.

WAC 458-16A-135(5) says that a claimant **must** present documents deemed necessary by the Assessor to demonstrate that the claimant is eligible for the exemption, including documents demonstrating that the property is the claimant's principle residence.

Confinement to a hospital, nursing home, assisted living facility (boarding home), or adult family home

Confinement to a hospital, nursing home, assisted living facility (boarding home), or adult family home (whether the confinement is short-term or long-term) will not disqualify the applicant when the principal residence is:

- temporarily unoccupied;
- occupied by the spouse or domestic partner, or another person who is financially dependent on the applicant;
- occupied by a caretaker who is not paid for watching the house; or
- rented for the purpose of offsetting the costs of the facility.

The Department of Social and Health Services maintains a list of licensed facilities (hospitals, nursing homes, assisted living facilities or boarding homes, and adult family homes) on their website at http://www.aasa.dshs.wa.gov/pubinfo/housing/other/.

What is a hospital?

The definition of "hospital" in WAC 458-16-260 (nonprofit property tax exemptions) includes hospitals licensed under RCW 70.41 or RCW 71.12.

> WAC 458-16-260(2)(d) "Hospital" means a nonprofit organization, association, or corporation engaged in providing medical, surgical, nursing, or related health care services for the prevention, diagnosis, or treatment of human illness, pain, injury, disability, deformity, or abnormality, including mental illness, treatment of mentally incompetent persons, or treatment of chemically dependent persons. The term also means all buildings or portions of buildings that are currently licensed as part of a hospital pursuant to chapters 70.41 or 71.12 RCW, and are part of an integrated, interrelated, homogeneous unit exclusively used for hospital purposes. The licensed hospital must be able to provide health care services to inpatients over a continuous period of twenty-four hours or more.....

RCW 70.41 is the statute governing hospital licensing and regulation and RCW 71.12 is the statute governing licensing and regulation of facilities associated with mental illness or incompetency or chemical dependency.

According to the definitions under these statutes, facilities such as Western State Hospital and other mental health facilities **do** meet the definition of hospital for purposes of determining whether an applicant meets the residency requirement for the individual property tax relief programs.

> **RCW 70.41.020(4)** "Hospital" means any institution, place, building, or agency which provides accommodations, facilities and services over a continuous period of twenty-four hours or more, for observation, diagnosis, or care, of two or more individuals not related to the operator who are suffering from illness, injury, deformity, or abnormality, or from any other condition for which obstetrical, medical, or surgical services would be appropriate for care or diagnosis. "Hospital" as used in this chapter does not include hotels, or similar places furnishing only food and lodging, or simply domiciliary care; nor does it include clinics, or physician's offices where patients are not regularly kept as bed patients for twenty-four hours or more; nor does it include nursing homes, as defined and which come within the scope of chapter 18.51 RCW; nor does it include birthing centers, which come within the scope of chapter 18.46 RCW; nor does it include psychiatric hospitals, which come within the scope of chapter 71.12 RCW; nor any other hospital, or institution specifically intended for use in the diagnosis and care of those suffering from mental illness, intellectual disability, convulsive disorders, or other abnormal mental condition. Furthermore, nothing in this chapter or the rules adopted pursuant thereto shall

be construed as authorizing the supervision, regulation, or control of the remedial care or treatment of residents or patients in any hospital conducted for those who rely primarily upon treatment by prayer or spiritual means in accordance with the creed or tenets of any well recognized church or religious denominations.

RCW 71.12.455 Definitions.
As used in this chapter, "establishment" and "institution" mean and include every private or county or municipal hospital, including public hospital districts, sanitarium, home, or other place receiving or caring for any mentally ill, mentally incompetent person, or chemically dependent person.

What is "temporarily unoccupied"?

The Department opinion on this issue is that "Senior citizens always intend to return home regardless of the length of time they are incarcerated in a hospital, assisted living facility (boarding home), adult family home or nursing home."

Notice – there is nothing in law or rule saying that the stay in the facility must be temporary. The only use of the word "temporary" is in reference to the status of the residence, i.e. "temporarily unoccupied".

There is no specific definition in the law about the upper range of "temporary" or when the line is crossed and "temporarily unoccupied" becomes "permanent".

Our staff attorney found that in federal and state court cases it appears that "intent" has been held to be the real determinant in other states. Does the occupant of the residence "intend" to return to the exempt residence even though it is currently "temporarily unoccupied"?

If the residence is unoccupied and there is a clear situation where the senior/disabled participant specifically expresses the intent to not return to the residence even when/if they are able, then the property would no longer qualify for the exemption.

OWNERSHIP

Examine documents carefully to determine ownership of the property.

When you are determining ownership for the purposes of these programs, you should look at all pertinent documents. Review the ownership documents to determine whether the applicant has sole ownership, joint tenancy, joint tenancy with rights of survivorship, joint ownership, or life estate, etc. Determine whether this is the applicant's sole and separate property. In some cases, there may be a percentage of ownership agreement between two or more parties and that percentage may be equal or unequal, divided or undivided. Determine whether the applicant has a life estate in the property. If ownership is through a trust, determine whether the trust is revocable or irrevocable and whether the elements contained in the language of the trust meet the

definition of "life estate" for purposes of meeting the ownership requirement for the exemption program. See WAC 458-16A-100(21).

Always keep a copy of unrecorded ownership documents with the applicant's file. Your authority to retain a copy of unrecorded ownership documents can be found in WAC 458-16A-135(5)(e)(i).

Deeds

A "deed" is a written document that conveys an interest in the property, is signed by the party conveying the interest, and properly acknowledged by someone authorized to take acknowledgment of deeds. Typically, acknowledgment is by a notary public or a county auditor.

A deed does **not** have to be recorded to be a valid deed but there must be some form of acknowledgment.

A lease for life or life estate is a real property interest and must be conveyed by deed.

See RCW 64.04.010, 64.04.020, and 64.08.010.

Know the definitions of terms you use.

Keep in mind that the terms used to describe ownership interest are generally not interchangeable. For instance, joint tenancy and joint tenancy with rights of survivorship are not the same. Black's Law Dictionary is an excellent reference source for definitions of terms not specifically defined in the applicable RCW or WAC rules. You can also ask your county prosecutor if you need clarification.

Review the ownership requirements for the program.

The ownership requirements are different for each program. Make sure your decision complies with the applicable laws and rules for the program.

TYPES OF OWNERSHIP

Exemption Program – Qualifying ownership includes fee simple, contract purchase, life estate and lease for life. A trust **may** meet the ownership requirement if it creates a life estate for the applicant. RCW 84.36.381 and WAC 458-16A-100(21).

Deferral and Grant Assistance Programs - A claimant who has only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust does not satisfy the ownership requirement. Irrevocable trusts **may** qualify. The trust must be expressly not revocable **and** the applicant must be the **trustee** or **beneficiary and** the applicant must have a life-time beneficial interest in the residence or the portion of the trust containing the residence

(i.e. the trust estate containing the residence). RCW 84.37.030(5); RCW 84.38.030(4); RCW 84.39.010(4).

In addition, the trust must not contain language prohibiting encumbrance of the property.

Community Property

WAC 458-16A-100(23) **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 as 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: A person qualifying for the exemption by virtue of age, disability, or one hundred percent disabled veteran status cannot claim 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.

Joint Tenancy – or – Tenants in Common

A joint tenant or tenant in common has only a share interest. The share interest may be the same "size" as that of the other joint tenants, or the ownership share may be a specified percentage. Upon the death of one of the joint tenants, that share passes to the deceased tenant's heirs.

For the deferral programs, we can pay the entire tax bill but the equity calculation will be based only on the assessed value of the applicant's ownership share. To calculate the equity, use the applicant's share of value, minus ALL of the liens and encumbrances.

The exemption and grant assistance apply only to the taxes attributable to the share interest owned by the applicant.

For the exemption program, that means you will also have a percentage share of the exemption unless the co-owners actually live in the residence with the applicant. See FAQ's for examples.

Joint Tenancy with Rights of Survivorship

A joint tenant with rights of survivorship holds an undivided interest in the entire property, and upon the death of one of the joint tenants, the surviving joint tenant(s) continues to hold the property in fee, or in JTWROS. This type of ownership is treated similar to a marital community ownership. Since there is an undivided ownership interest in the entire property, the tenant/applicant is entitled to "undivided" (full 100%) property tax relief.

> For example, Mr. Smith and Ms. Doe own a property via JTWROS. When Mr. Smith applies for exemption, he is entitled to a full exemption on the entire property. When Mr.

Smith passes away, Ms. Doe has an undivided interest in the property and Mr. Smith's heirs do not inherit.

Lease for Life/Life Estates

A lease for life or life estate is a real property interest and must be conveyed by deed. Deeds must be acknowledged. Therefore, we cannot accept proof of lease for life or life estate unless it is by deed and so acknowledged.

See WAC 458-16A-100(19) and (21) for definitions of Lease for Life and Life Estate.

RCW 64.04.010 – "Every conveyance of real estate, or any interest therein, and every contract creating or evidencing any encumbrance upon real estate, shall be by deed…."

RCW 64.04.020 – "Every deed shall be in writing, signed by the party bound thereby, and acknowledged by the party before some person authorized by this act to take acknowledgments of deeds."

RCW 64.08.010 – "Acknowledgments of deeds … may be taken in this state before a justice of the supreme court, or the clerk thereof, or the deputy of such clerk, before a judge of the court of appeals, or the clerk thereof, before a judge of the superior court, or qualified court commissioner thereof, or the clerk thereof, or the deputy of such clerk, or a county auditor, or the deputy of such auditor, or a qualified notary public, or a qualified United States commissioner appointed by any district court of the United States for this state, and all said instruments heretofore executed and acknowledged according to the provisions of this section are hereby declared legal and valid."

Trusts

General Definitions:

Beneficiary – the one who benefits from the trust.

Irrevocable Trust – a trust which may not be revoked after its creation as in the case of a deposit of money by one in the name of another as trustee for the benefit of a third person (beneficiary). A testamentary trust is a trust specified in a person's will and it becomes a legal entity upon the death of the testator. When the creator of the trust has passed away the will, and therefore the trust, cannot be changed. Therefore, the testamentary trust is irrevocable once the testator has passed away.

Living Trust - usually, the beneficiary does not benefit during the lifetime of the trustee if the trustee is the same as the trustor. So, if the beneficiary is the applicant then they would not meet the ownership requirement until the trustee dies.

Revocable Trust – a trust in which the settlor reserves the right to revoke.

Trustee – the one who holds legal title to the property in order to administer it for the beneficiary – the agent for the trust.

Trustor – the one who creates the trust - also called the settlor or creator.

Revocable vs. Irrevocable – It is the general rule that, in the absence of an express reservation, a trustor cannot revoke a trust without the consent of the trustee and all beneficiaries. The general rule then, is that if there is no language in the trust reserving the right to revoke, the trust is irrevocable. There is an exception to that general rule to allow a trust to be revoked if the trustor is the sole beneficiary. However, for purposes of qualifying for the Deferral and Grant Assistance Programs, the trust must be **expressly** irrevocable.

- If the trust is expressly revocable, the trustor may meet the ownership requirements for the Exemption Program.
- If the trust does not contain language regarding revocability and the trustor is the sole beneficiary then the trust is revocable and the trustor may meet the ownership requirements for the Exemption Program.
- If the trust does not contain language regarding revocability and the trustor **is not** the sole beneficiary then the trust is irrevocable. The trust may meet the requirements for the Exemption Program.
- If the trust is expressly irrevocable, and the applicant is the trustee or beneficiary, then the applicant may be eligible for the Deferral and Grant Assistance Programs. The applicant may also meet the requirement for the Exemption Program.
- If the trust is expressly irrevocable and the claimant is the beneficiary with a beneficial interest in the primary residence that lasts at least as long as the applicant's lifetime, the applicant may be eligible for all four programs.

DETERMINING WHETHER OR NOT A TRUST MEETS THE OWNERSHIP REQUIREMENT FOR THE EXEMPTION PROGRAM

RCW 84.36.381(2) says that, in order to qualify for the exemption, the applicant must have owned the residence at the time of filing "in fee, as a life estate, or by contract purchase". It also says that a lease for life shall be deemed a life estate.

There is no provision in the statute for ownership through a trust. Therefore, in order to meet the ownership requirement when property is owned by a trust, the language in the trust must, in effect, convey a "life estate" ownership interest to the applicant.

WAC 458-16A-100(21) defines a "life estate" as:

> (21) 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 the beneficial interest directly in his or her principal residence, or the part of the trust containing his or her personal residence, for at least the period of his or her 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 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.

Therefore, in order to qualify as a life estate for this program:

(a) The applicant must have reserved a life estate when the property was put into the trust;

OR

(b) The applicant must be the "settlor" or creator of the trust (either revocable or irrevocable) and must grant to himself/herself a beneficiary interest in the principal residence or that specific portion of the trust and that beneficiary interest must last for at least the person's lifetime.

OR

(c) The trust must be irrevocable and the applicant must be the beneficiary and have been granted the beneficial interest in the principal residence portion of the trust for at least his/her lifetime.

TRUSTS – STEP BY STEP

When analyzing a trust document, using process of elimination may help.

1. Did the applicant reserve a life estate (or have a life estate reserved for them by someone else) on the deed when the property was transferred to the trust?
   - Yes, stop here. The applicant meets the ownership requirement for the exemption program and you do not need to go any further.
   - No, go to step 2.

2. Is the trust revocable?
   - Yes, go to Step 3.
   - No, go to Step 4.

3. Revocable - Is the applicant the "settlor" or "creator" of the trust?
   - Yes, go to Step 5.
   - No, stop here because the applicant does not qualify.

4. Irrevocable – Is the applicant the "settlor" or "creator" of the trust?
   - Yes, go to Step 5.
   - No, go to Step 6.

5. Revocable or Irrevocable - has the applicant granted to himself/herself a beneficiary interest in the primary residence that lasts for at least his/her lifetime?
   - Yes, the applicant meets the ownership qualification.
   - No, the applicant does not qualify.

6. Irrevocable – Is the applicant the beneficiary and has he/she been granted the beneficial interest in the principal residence portion of the trust for at least his/her lifetime?
   - Yes, the ownership requirement is met.
   - No, the applicant does not meet the ownership requirement.

There will still be times when you find it difficult to determine whether there is a "beneficial interest in the primary residence" and whether that interest lasts for at least the period of the applicant's lifetime.

Remember, if you have trouble making a determination, you have resources. You can contact your county legal resources or you can ask for help from the Department of Revenue. Following are some examples of actual trust language that may help.

IMPORTANT: Usually, trusts are not recorded and your records reflect ownership by the trust – or by the trustee/agent on behalf of the trust. That means that you should keep a copy of the appropriate pages from the trust in your files to show why you granted an exemption to someone who is not reflected as the property owner on your records.

Example 1 - Qualifying:

In this case, the trust document says the trust corpus include all funds contributed, any acceptable additions, and property other than cash including real estate (Section I). "TP" is clearly the beneficiary of the trust, the trust is intended to last for his lifetime unless there are no longer any assets (Section III), and the trust language conveys a "beneficial interest representing" his principal residence. Section IV(e) on page 11 provides authority for the trustee to purchase a home or other primary place of residence for the beneficiary.

> Section I – The assets of the Trust corpus may from time to time include property other than cash, including, but not limited to, securities, real estate, and other personal property.
>
> Section III – The term of this Trust shall continue indefinitiely for the lifetime of "TP" subject to the general terms and conditions contained in this instrument and specifically subject to the provisions contained in this section as to final distribution of the corpus and accumulated income.
>
> Section IV(e) – Major Purchases: Purchase of a home or other primary place of residence for the beneficiary, or expenditure for any other single item purchase, where the cost of the item to be purchased exceeds 25% (twenty-five percent) of the then fair market value of the Trust, shall be considered an investment by the Trustee. Title to or ownership of such asset shall be maintained by the Trust unless otherwise ordered by the Court. The Trustee shall have the discretion to allow the primary beneficiary of this Trust to reside in any such residence purchased or held by the Trust without payment of rent.

Example 2 – Not Qualifying:

"TP" is the "settlor" or creator of the trust and the trust is irrevocable (Preamble and Section 1). Unfortunately, he does not appear to have granted himself a beneficial interest in the principal residence portion of the trust that lasts for his lifetime. Under Section 5.1(a), the Trustee has been given control over the real property. The only power "TP" appears to have retained for himself is the power to acquire any of the trust assets by substituting property of equivalent value (Section 6). In addition, the purpose of the trust is clearly stated in Section 1 as the desire to "establish an irrevocable trust for the benefit of his children".

> Section 1. Transfer of Property: Trustor desires to establish an irrevocable trust for the benefit of his children, and accordingly hereby transfers to the Trustee the assets described on Schedule A attached hereto.
>
> Section 5.1(a) – Trust Administration – Trustee's Powers: To retain so long as the Trustee deems advisable, without liability for so doing, any property, real, personal, or mixed, of whatever kind and wherever situated, which is received by the Trustee hereunder from any sources (other than through investment or reinvestment by the

Trustee), regardless of whether the property so retained be of a kind and quality which the Trustee would ordinarily purchase for trust accounts and regardless of whether such property so retained should constitute a larger portion of the trust estate than the Trustee would ordinarily deem advisable.

Section 6. Grantor Trust: It is Trustor's intention that he be treated as the owner of the entire trust for income tax purposes under Subpart E, Part I, Subchapter J, Chapter 1 of the Code. Accordingly, Trustor shall have the power at any time and from time to time, acting in a nonfiduciary capacity, without the approval or consent of any person, including the Trustee, to acquire the assets of any trust held under this instrument by substituting property of equivalent value. Trustor directs that this power is not assignable and any attempted assignment will make this power void.

Example 3 – Qualifying:

"TP's" are the creators of the trust which is a revocable living trust. Under Section 1.04(e), "TP's" reserve "the right to possess and occupy the real property" in the trust estate that is used as a principal residence.

Section 1.04(e) – Right to Possess and Occupy Principal Residence: The Trustor shall have the right to possess and occupy the real property in our Trust Estate used as my principal residence.

Section VII

Documentation and Records Retention

DOCUMENTATION AND RECORDS RETENTION

SIGNATURES

All applications or renewals, for any of the programs, must be signed by the applicant or the applicant's duly authorized agent, or by a guardian or other person who is responsible for the care of the person or property of the applicant. See WAC 458-16A-135(5), WAC 458-18-030(1), WAC 458-18A-030(1), and RCW 84.39.020(2).

In commercial law, an "agent" is a person who is authorized to act on behalf of another to create a legal relationship with a third party. For purposes of these programs, the "agent" must have legal authority, such as power of attorney, to act on behalf of the applicant.

For exemptions, the application or renewal must also be signed by two witnesses or by the assessor's deputy. If the applicant lives in a cooperative housing unit, the authorized agent for the cooperative housing association, cooperative housing corporation, or cooperative housing partnership must also sign the application.
See RCW 84.36.387(1).

For the Deferral Program for Senior Citizens and Disabled Persons, the application or renewal must also be signed by the lien holder if the property is subject to a deed of trust, mortgage, or purchase contract requiring accumulation of reserves to pay property taxes.

In addition, for deferrals, the application or renewal must be signed by the spouse, domestic partner, cotenant, and anyone else with a legal interest in the property. WAC 458-18-030(2) and WAC 458-18A-030(2) say the deferral declaration must list everyone with an interest in the property and that all of those parties must sign the application.

Although it may seem like an extra step, believe it or not, it is actually a help when there is a canceling event and it's time to collect the deferral balance. We have had surviving spouses tell us they were not aware of the deferral, but when we look back at the application forms, we are able to show that he/she actually signed the forms in prior years.

DOCUMENTATION

The assessor determines which documents are necessary to demonstrate that the claimant qualifies for the exemption and the deferral programs. See WAC 458-16A-135(5).

Documents that may be required include:

- Copies of any legal instruments demonstrating the claimant's interest in the property.
- Documents demonstrating the property is the claimant's principal residence.
- Copies of legal identification showing the claimant's age.

- For a claim based on a disability, **either** a physician's affidavit **or** copies of written acknowledgment or decision by the Social Security Administration **or** the Veterans Administration. With passage of HB 1966 in 2007, signatures of certified physician assistants and certified osteopathic physician assistants are acceptable on the Proof of Disability Affidavit.

- Copies of documents showing earned income for the claimant, spouse, domestic partner and cotenants.

- Federal statements showing Social Security benefits.

- Federal statements showing railroad retirement benefits.

- Federal income tax returns with supporting forms, schedules, and worksheets.

- Copies of invoices for non-reimbursed nursing home and in-home care.

- Copies of checks or other payment statements for non-reimbursed prescription drugs **IF** the amount claimed exceeds five hundred dollars.

- If no federal returns were filed or received, copies of documents demonstrating income for the claimant, spouse, domestic partner, and cotenants. These include W-2's, 1099's, checking account registers, bank statements, public assistance check stubs, etc. The claimant must produce copies of documents demonstrating the source of the funds they are living on and using to pay the bills for maintaining the claimant and the residence.

- **Any other copies of documents the assessor requires in his or her discretion to demonstrate the claimant qualifies for the property tax relief program.**

RECORDS RETENTION

WAC 458-16A-140(3) explains the application review process and the rule directs the assessor to destroy or return any supporting documents used to verify age or income after the application review is complete.

> WAC 458-16A-140(3) **Processing exemption applications.** County assessors process applications for the senior citizen or disabled person exemption. The assessors grant or deny the exemption based upon these completed applications.
>
> (a) **Application review.** The county assessor reviews a completed application and its supporting documents.
>
> The assessor:
>
> (i) Notes on a checklist for the claimant's file the supporting documents received;
>
> (ii) Reviews the supporting documents;

(iii) Records relevant information from the supporting documents into the claimant's file.

In particular, the assessor records into the file the claimant's age and a summary of the income information received; and

(iv) After reviewing the supporting documents, must either destroy or return the supporting documents used to verify the claimant's age and income.

That means, after the review cycle ends on May 31st, any documentation used to verify age or income should be returned or destroyed each year. As stated in the WAC rule, you should be using Income Checklists to record which income documents were reviewed each year.

Documents that are not used to verify either age or income fall under the regular records retention schedule. Your county should have an existing records retention schedule that will tell you how long you need to save the income checklists, applications, and other documents for the exemption and deferral programs.

For your convenience, following is a link to the RCW governing records retention: RCW 40.14.070. If your county does not have an approved records retention schedule, before destroying any documents you should contact the Local Records Committee.

Proof of Disability, Trust documents, Life Estate/Lease for Life documents, and unrecorded deeds

In order to avoid having to request the taxpayer to provide these documents again, you should retain any of these necessary records if they still apply – or apply for any years that might still be adjusted. For instance, once you have documentation that the participant has met the age requirement for more than 6 years, you could purge the disability information. The same thing applies to the ownership documents.

IMPORTANT: Usually trusts are not recorded and your records reflect ownership by the trust – or by the trustee/agent on behalf of the trust. That means that you should keep a copy of the trust in your files to show why you granted an exemption to someone who is not reflected as the property owner on your records.

Until the participant is reflected on the assessor's records as the actual owner of record for more than 6 years, you should keep the documents showing why that person is eligible for property tax relief even though he/she is not the owner of record.

Section VIII

Combined Disposable Income

CALCULATING COMBINED DISPOSABLE INCOME FOR THE PROPERTY TAX RELIEF PROGRAMS

INTRODUCTION

Combined disposable income is used to determine eligibility for all of the property tax relief programs for senior citizens and disabled persons and for the deferral program for homeowners with limited income. The exemption, deferral, and grant programs all use the same calculation. A similar calculation is used for determining eligibility for residents in nonprofit Homes for the Aging.

Note: Do not use this calculation for nonprofit Homes for the Aging! You can find the calculation for the nonprofit Homes for the Aging at: RCW 84.36.041.

ADDITIONAL INFORMATION

At the end of this section in your manual, the following additional information has been provided.

- Worksheets for calculating installment sales and capital gains.
- A list of possible expense items used to determine the basis of the asset sold when added to or subtracted from the original cost of the asset.
- Sample letter and questionnaire to use when an applicant reports -0- income.
- Sample worksheet to calculate CDI – this is the worksheet we use because it makes the calculation quick and easy.
- Decoding SS Claim Numbers – to determine the meaning of the claim number in Box 8 of the SS statement.
- 1099-R with instructions – useful to determine the meaning of the codes used in Boxes 5 and 7.
- 4506-T – you can use this form to request a transcript of an applicant's actual IRS tax return – or confirmation that one was not filed. You can also use it to request a transcript of the applicant's 1099's etc.
- SSA Press Release date July 2014 – advises local offices will continue to provide income verification documents.

SSA ANNUAL LIMITS FOR SUBSTANTIAL GAINFUL EMPLOYMENT PER SOCIAL SECURITY WEBSITE AT: Substantial Gainful Activity

Income Year	SSA Monthly Earned Income Limit	
	Non-Blind	Blind
2018	1,180	1,970
2017	$1,170	$1,950
2016	$1,130	$1,820
2015	$1,090	$1,820
2014	$1,070	$1,800
2013	$1,040	$1,740
2012	$1,010	$1,690
2011	$1,000	$1,640
2010	$1,000	$1,640
2009	$980	$1,640
2008	$940	$1,570
2007	$900	$1,500
2006	$860	$1,450
2005	$830	$1,380
2004	$810	$1,350
	Definition Effective June 10, 2004 (SB 5034)	

MID-YEAR CHANGES IN INCOME

What happens when an applicant has a mid-year change in income because of retirement, the death of a spouse or domestic partner, or other circumstances?

According to RCW 84.36.381(4), if the applicant's income changed for two or more months of the assessment year and the change is likely to continue for an indefinite period of time, the combined disposable income **must** be calculated by determining the average monthly combined disposable income after the change and multiplying by twelve.

Notice, this is not optional. The statute says income **MUST** be calculated this way in this situation.

> **Example 1:** One spouse passed away in August. Prior to passing, he received a retirement pension and social security and he was in an assisted living facility and was taking multiple medications. When calculating income for the exemption level for the surviving spouse, you should use her average monthly income beginning in September. You should not include the deceased spouse's income or the costs of his medications and

facility care. The idea behind using the "averaging" method is to calculate income based on the average income the applicant receives during the months after the change in circumstances occurred.

Example 2: An applicant retired two months before the end of the year but was retained on a call-in per diem basis and has continued to work on a part-time basis. The applicant's income was substantially reduced for the last two months of the year due to retirement but he/she still received wages of $1,790 over the two-month period. In addition, he/she began receiving Social Security of $1,200 per month and had prescription drug costs in the amount of $180 for the 2-month period.

To calculate income in this case, you would include the $1,200 per month in SS; plus $895, the monthly average of the earnings ($1,790 divided by 2); minus $90, the monthly average of the allowable deductions ($180 divided by 2); for a total average monthly combined disposable income of $2,005. Then, multiplying by 12, we can estimate annual income of $24,060.

Example 3: An applicant retires at age 62 and starts collecting Social Security benefits. Income averaging is used to estimate income and an exemption is approved. At age 65, the applicant decides to return to work because he/she can now collect full Social Security regardless of the amount of wages earned. The applicant files a Change in Status and the exemption is removed because the income limit is exceeded. At age 70, the applicant retires again and reapplies for the exemption, requesting that the Assessor use income averaging and exclude the wages earned up to the date of the second retirement.

Under RCW 84.36.381(4), when the applicant is retired for two or more months of the assessment/income year, the assessor **must** use income averaging to calculate combined disposable income.

Sometimes, as in Example 2, you can estimate income for the first exemption year but you may not be confident that you can rely on that estimate on a continuing basis, especially if you use a six-year renewal cycle. In Example 2, because the taxpayer is working part-time, it would be wise to flag this account for a follow-up so you can base the ongoing exemption on a full income year.

DISPOSABLE INCOME

The starting point to determine the applicant's disposable income is **Adjusted Gross Income (AGI)** as defined by the Internal Revenue Service. Many applicants file an IRS Form 1040 with the Internal Revenue Service. Adjusted gross income is on the last line of page one of Form 1040.

In the laws and rules, disposable income is defined as "adjusted gross income" as defined by the Internal Revenue Service, plus the following items to the extent they were not included in, or were deducted from, income used to determine adjusted gross income:

- Capital Gains (except the capital gain resulting from the sale of a primary residence if the gain was re-invested in a replacement primary residence prior to the sale or within the same calendar year as the sale)
- Amounts deducted for losses (including capital losses and penalties on early withdrawal of savings)
- Depreciation
- Pension and annuity receipts
- Military pay and benefits (except attendant-care and medical-aid payments)
- Veterans benefits (**except** attendant-care, medical-aid payments, disability compensation, and dependency and indemnity compensation - DIC)
- Social Security and railroad retirement benefits
- Dividends
- Interest on state and municipal bonds

If the applicant did not file a federal tax return, you must first determine adjusted gross income prior to determining disposable income. Remember that most of the items listed on lines 23 through 35 on Form 1040 are legitimate adjustments to gross income and should still be deducted when determining adjusted gross income, even when the applicant does not file a federal return.

WAC 458-16A-110 and WAC 458-16A-115 provide additional information and assistance in determining gross income and adjusted gross income when no tax return was filed.

CALCULATING DISPOSABLE INCOME

Begin by obtaining a copy of the federal income tax returns for the claimant, the claimant's spouse or domestic partner, and any cotenants. If no income tax return is provided, the assessor must calculate disposable income from copies of other income documents (W-2's, 1099's, etc.). Be sure to use the Income Checklist to document which records were reviewed since you cannot retain permanent copies of income documents for the files. WAC 458-16A-140(3)

CAPITAL GAINS

Lines 13 and 14 on Form 1040 are both used for capital gain reporting. Line 13 is used to report capital gains reported on a Schedule D and Line 14 is used to report capital gains reported on a Form 4797. If the applicant filed a Schedule D or Form 4797 to report capital gains, you should examine those forms to discover any other gains not taxable for IRS purposes. You should also check for gains that are offset by losses.

In the disposable income calculation, capital gains may only be excluded from the applicant's income if the gain is from the sale of the applicant's primary residence and the applicant re-

invests the gain in a replacement primary residence. Only the portion that is re-invested in another principal residence can be excluded.
Under current IRS rules, in most cases, taxpayers are no longer required to report the gain on the sale of a personal residence if the home was owned and lived in as a primary residence for two or more years and the gain is less than $250,000 ($500,000 for a married couple). Although the applicant may not be required to report this income to the Internal Revenue Service, it must be reported to the assessor's office for determining eligibility in the exemption program.

CAPITAL GAIN AND REINVESTMENT CALCULATION EXAMPLE

Selling Price of Old Home Minus: Selling Expenses Amount Realized on Sale	$500,000 40,000	 $460,000
Basis of Old Home – Purchase Price Plus Improvements Adjusted Basis of Old Home	100,000 +40,000	 140,000
Gain Realized		320,000
Cost of Replacement Home		310,000
Amount Not Re-Invested		**$10,000**

Since all but $10,000 was re-invested in a replacement residence, only the $10,000 not re-invested would be included as disposable income.

At the end of this section you can find worksheets to use for calculating capital gains and for determining how much disposable income to include for receipts from installment sales.

Note: Mortgage amounts have no effect on the capital gain calculation. Whether the person pays off a mortgage balance for the home that was sold and/or obtains a new mortgage for the home that was purchased, loan amounts are not included in this calculation.

What is included in the "basis" of the home that was sold?

The original basis is the value of the home at the time it was originally acquired. That could be the purchase cost, the cost to build, or it could be the value at the time the home was acquired through an inheritance or a property settlement.

When the home was acquired through an inheritance, there should be an estate accounting that shows the value of the items inherited. If not, there may have been an appraisal at that time – or – you might have to use the assessed value as of that date if no appraisal was done for the probate.

Once the original basis is determined, you will need to adjust for increases or decreases to the basis. Increases to the basis can include costs for things like building an addition to the home, replacing the roof, paving the driveway, legal fees, local improvement assessments, and others types of costs. Decreases to basis can include expenses like casualty losses or depreciation.

See the page following the Capital Gain Worksheet at the end of this section for a more comprehensive list of increases and decreases to the basis.

AMOUNTS DEDUCTED FOR LOSS

Why do we add back losses? In theory, the most important reason is that we cannot ask other taxpayers to subsidize personal losses. In practice, we add back losses because the laws and rules say that we must. No matter how much we sympathize with the plight of someone who had a stock loss or a farm loss that offsets their other income, it is our job to apply the laws we were given by the legislature in a manner that is as uniform, fair, and equitable as possible. RCW 84.36.383(5)

An important thing to remember is that losses cannot be used to offset other income. WAC 458-16A-120(2)(d)(iii). If the applicant's Schedule D shows a short-term loss of $5,000 and a long-term gain of $4,000, the $4,000 gain must be included in disposable income even though the net effect is a loss of $1,000. While many applicants will argue that they have a legitimate loss, the Legislature chose not to allow that deduction for the purposes of determining eligibility for property tax relief.

Losses can be found in many different areas of a return. Most commonly, you will find losses on Form 1040 on:

Line 12, Business Losses Schedule C	Line 17, Rental Losses Schedule E
Line 13, Capital Loss Schedule D & Form 8949	Line 18, Farm Losses Schedule F
Line 14, Other Losses Form 4797	Line 21, NOL (Net Operating Loss)

For the detail on gains and losses, and to determine whether any loss offsets other income, you will need to review the individual forms and schedules that provide the details.

- Schedule C – may include Form 8829
- Schedule D - may include Forms 2439, 4684, 4797, 6252, 6781, 8824, 8949, Sch K-1
- Schedule E – may include Forms 4835, 8582, Schedule K-1
- Form 4797 – may include Forms 4684, 6252, 8824, Schedule K-1

DEPRECIATION

Depreciation is a method accountants use to allocate the cost of an asset over a stated period of time. Like losses, the Legislature chose not to allow this deduction as an expense when computing disposable income. Depreciation in and of itself does not show up on Form 1040. It is necessary to look at the supporting schedules to determine if depreciation was a deduction.

You will find it on several different schedules and, usually, you will see a Form 4562 which shows the actual depreciation schedule for the taxpayer. The depreciation expense is usually carried through from the Form 4562 to one of the business income/loss schedules. The most common are:

Line 13, Business Income Schedule C
Line 20, Rental Income Schedule E
Line 16, Farm Income Schedule F
Line 28, Employee Business Expense Form 2106
Line 29, Expenses for Business Use of Your Home Form 8829

If the schedule shows a net income, simply add back the depreciation.

Making the adjustment to add back depreciation is especially tricky when the depreciation expense is deducted on a schedule where the end result was a net loss.

If the schedule shows a net loss, you will need to add back the net loss first, and then recalculate the Net Profit or Loss excluding the deduction for depreciation. If there is still a net loss, you do not need to do anything more. If you now have a net income, you need to add that net income to disposable income.

Remember, on a Schedule E, calculate the income or loss on each rental property separately.

Following are three examples of what to do when there is depreciation expense reported on a Schedule C.

Example #1 – Business with net income. Shortcut – add back the depreciation and you are finished.

On the 1040

All Other Income	$30,000
Business Income/Loss	$2,000
Adjusted Gross Income	$32,000

1. Look at the Schedule C.

On the Schedule C

Business Income		$30,000
Depreciation Expense	$10,000	
Other Expenses	18,000	
Total Expenses		-28,000
Net Income		$2,000

2. Now add back the depreciation expense to determine disposable income.

Disposable Income

AGI	$32,000
Depreciation Expense	$10,000
Disposable Income	$42,000

Example #2 – Business Loss – Depreciation deduction smaller than loss amount. Shortcut - simply add back the loss and you are finished.

On the 1040

All Other Income	$30,000
Business Income/Loss	($20,000)
Adjusted Gross Income	$10,000

1. First, add back the business loss.

Preliminary Disposable Income

AGI	$10,000
Business Loss	$20,000
Disposable Income	$30,000

2. Next, look at the Schedule C.

On the Schedule C

Business Income		$30,000
Depreciation Expense	$5,000	
Other Expenses	45,000	
Total Expenses		-50,000
Net Loss		($20,000)

3. Recalculate the profit or loss excluding the depreciation expense.

Profit or Loss Without Depreciation

Business Income	$30,000
Total Expenses excluding Depreciation Expense	45,000
Net Loss	($15,000)

4. Since there is still a loss, you can stop here. The disposable income would be the figure calculated in Step 1.

Example #3 – Business Loss – Depreciation deduction larger than loss amount. Shortcut – add back the loss, then add the difference between the loss and the depreciation expense.

On the 1040

All Other Income	$30,000
Business Income/Loss	($2,000)
Adjusted Gross Income	$28,000

1. First, add back the business loss.

Preliminary Disposable Income

AGI	$28,000
Business Loss	$2,000
Disposable Income	$30,000

2. Next, look at the Schedule C.

On the Schedule C

Business Income		$30,000
Depreciation Expense	$5,000	
Other Expenses	27,000	
Total Expenses		-32,000
Net Loss		($2,000)

3. Recalculate the profit or loss excluding the depreciation expense.

Profit or Loss Without Depreciation

Business Income	$30,000
Total Expenses without Depreciation	27,000
Net Income	$3,000

4. In this example, when the depreciation expense is excluded, the loss is eliminated. To determine disposable income, add the net business income after excluding the depreciation expense.

Disposable Income

Preliminary Disposable Income From Step 1	$30,000
Business Income	$3,000
Disposable Income	$33,000

PENSION AND ANNUITY RECEIPTS

Generally speaking, you will find these amounts reported on Lines 16a and 16b of Form 1040. **Any** pension or annuity that the applicant, spouse, domestic partner, or co-tenant receives is counted as disposable income. Some pensions and annuities are included in adjusted gross income and some are not. Many pensions are only partially taxable because the recipient paid tax on the contribution at the time it was made. For purposes of determining eligibility in this program, all of the pension or annuity must be counted.

An IRA, or Individual Retirement Arrangement, is **NOT** considered to be a pension or annuity. In general, you should only include the taxable portion of an IRA.

An annuity is defined in WAC 458-16A-100(2) as follows.

> (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) of this section, whether or not they are taxable under federal law. A one-time, lump sum, total distribution is not an "annuity" for purposes of this section, and only the taxable portion that would be included in federal adjusted gross income should be included in disposable income.

Annuity contracts are financial contracts in the form of an insurance product. Under the contract terms, the seller (issuer) — typically a financial institution such as a life insurance company — agrees to make a series of future payments to a buyer (annuitant) in exchange for the immediate payment (or investment) of a lump sum (**single-payment annuity**) or a series of regular payments (**regular-payment annuity**), prior to the onset of the annuity distributions.

Annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage are called fixed annuities. Variable annuities, by contrast, pay amounts that vary according to the investment performance of a specified set of investments, typically bond and equity mutual funds.

Variable annuities are used for many different objectives. One common objective is to postpone recognition of taxable gains for federal tax purposes. Money deposited in a variable annuity grows on a tax-deferred basis, so that taxes on investment gains are not due until a withdrawal is made. Variable annuities offer a variety of funds ("subaccounts") from various money managers. This gives investors the ability to move between subaccounts without incurring additional fees or sales charges.

Whether the annuity is “fixed” or “variable,” it is still an annuity.

You may need to review the annuity contract to determine whether it fits our definition of "annuity". **According to our definition, the contract must indicate that the payment stream is intended to continue for more than one year.**

Remember – if it is a one-time, lump-sum, total distribution, it does not meet our definition of "annuity".

MILITARY PAY AND BENEFITS OTHER THAN ATTENDANT-CARE AND MEDICAL-AID PAYMENTS

Any military pay or benefits that do not represent attendant care or medical-aid payments must be added to adjusted gross income to determine disposable income. If any portion of the pay or benefit has already been included in AGI, only the portion not included must be added.

If the RAS (or DFAS) statement shows Gross Pay reduced by a VA Waiver, the information on the statement reflects the gross retirement pay and the tax-exempt portion calculated by applying a formula as determined by VA. For disposable income, we should include the gross pay amount.

Combat Related Special Compensation (CRSC) is actually military retirement that is dependent on years of service. When a veteran is receiving VA disability benefits and is also receiving military retirement, the military retirement is sometimes reduced, or "offset", by all or a portion of the VA disability benefits. If the VA disability is combat-related, the veteran can then apply for CRSC and reduce that offset amount. In other words, he/she receives less of a reduction in the military retirement – but it is still part of the military retirement and not the VA disability benefit. CRSC must be included in disposable income.

The following information is from the Military.com website at http://www.military.com/benefits/military-pay/special-pay/combat-related-special-compensation.html.

Combat Related Special Compensation

Military.com

Combat-Related Special Compensation (CRSC) provides special compensation to retirees who have retired pay reduced because of receiving U.S. Department of Veterans Affairs (VA) disability compensation. This means that qualified military retirees with 20 or more years of service that have "combat related" VA-rated disability will no longer have their military retirement pay reduced by the amount of their VA disability compensation. Instead they will receive both their full military retirement pay and their VA disability compensation. The following is a summary of Combat-Related Special Compensation:

- Combat-Related Special Compensation Eligibility
- The Value of the CRSC Benefit
- The Application Process

Once a military retiree has been determined to be qualified they will receive their regular retirement pay plus an additional sum based on their VA disability rating.

Combat-Related Special Compensation Eligibility

The following CRSC eligibility requirements apply:

In order for members to be eligible for CRSC, they must meet all of the following criteria:

1. Receive military retirement pay for one of the following reasons:
    - Served on Active Duty, the Reserves, or National Guard with 20 years of creditable service;
    - Served on Active Duty, the Reserves, or National Guard and is also a permanent medical retiree (Chapter 61) regardless of years served;
    - Served on Active Duty, the Reserves, or National Guard and is classified as a Temporary Disability Retirement List retiree regardless of years served; or
    - Served on Active Duty, the Reserves, or National Guard and is classified as a Temporary Early Retirement Act retiree with 15-19 years served.

2. Have 10% or greater VA rated injury that is combat-related.

3. Military retirement pay is reduced by VA disability payments (VA Waiver).

4. Must be able to provide documentation that injury was a result of one of the following:
    - Purple Heart
    - Armed Conflict
    - Simulating War
    - Hazardous Service
    - Instrumentality of War
    - Agent Orange
    - Radiation Exposure
    - Gulf War
    - Mustard Gas or Lewisite

The Value of the CRSC Benefit:

The CRSC monthly payment ranges from $133 to over $3200. The amount you receive depends on your disability rating, number of dependents, and other factors. CRSC payment mirrors the VA Disability Compensation payment rates.

Back to Top

The CRSC Application Process:

To receive Combat Related Special Compensation you must submit your application (DD form 2860), through your parent military service branch. Each service branch has the authority to determine your eligibility.

VETERAN'S BENEFITS OTHER THAN ATTENDANT-CARE, MEDICAL-AID PAYMENTS, DISABILITY COMPENSATION, AND DEPENDENCY AND INDEMNITY COMPENSATION - DIC

The excludable VA benefits changed with passage of SSB 5256. Prior to passage of this legislation in 2008, any veteran's benefits that did not represent attendant-care or medical-aid payments had to be added to adjusted gross income in order to determine disposable income.

Beginning with the 2008 income year, we can exclude the following benefits paid by the Department of Veterans' Affairs:

- attendant-care payments;
- medical-aid payments;
- disability compensation (VA disability), as defined in Title 38, part 3, section 3.4 of the code of federal regulations, as of January 1, 2008; and
- dependency and indemnity compensation (DIC), as defined in Title 38, part 3, section 3.5 of the code of federal regulations, as of January 1, 2008.

Any other veterans' benefits must be included in disposable income.

Note: No matter the percentage of disability, VA disability income is excluded from the disposable income calculation.

FEDERAL SOCIAL SECURITY ACT AND RAILROAD RETIREMENT BENEFITS

All of the social security paid to the applicant, spouse, domestic partner, or co-tenant must be reported as income. The only means of truly identifying the amount is to review the statement sent by the Social Security Administration. Usually, a portion of the social security payment is taxable for federal income tax purposes. Only that portion not already included in AGI must be added to determine disposable income. Many claimants will argue that we are taxing their social security when in reality we are only determining their eligibility for property tax relief.

Railroad retirement benefits are like a composite of a pension and social security. Again, some of the benefit may be included in AGI if it is taxable for income tax purposes. Any portion not already included in AGI must be added to determine disposable income.

A husband or wife can also receive just the spouse's benefit at any age if he or she is caring for their child who is also receiving benefits. The spouse would receive these benefits until the child reaches age 16. At that time, the child's benefits continue, but the spouse's benefits stop unless he or she is old enough to receive benefits based on their age. This is sometimes called the "Mother's Benefit", and would be included in the disposable income calculation regardless of whether or not the child is claimed as a dependent on the tax return.

DIVIDEND RECEIPTS

Most dividend receipts are taxable for federal income tax purposes but some are not. You will need to look at Schedule B Part II for non-taxable distributions. If any non-taxable amounts are reported, they should be added to the adjusted gross income.

Note: The "qualified dividends" reported on Line 9b of Form 1040 are already included in the amount reported on Line 9a. Do not add them twice!

INTEREST RECEIVED ON STATE AND MUNICIPAL BONDS

This type of interest is not subject to federal income tax so it will not be included in AGI. Generally, you will find this income on Line 8B of Form 1040. However, there may be other tax exempt interest income reported here that is not identified in our state statute as an added item.

Only add the nontaxable interest received on state and municipal bonds!

LINE 21 ON FORM 1040

This line is the "other" line so anything that does not fit on the other lines goes here. Following are some of the more common things you will see reported on this line.

Net Operating Losses - NOL

Under IRS rules, a taxpayer can sometimes have a "net operating loss" when deductions for the year are more than income for the year. There are a whole set of rules to determine how to calculate the loss but, for our purposes, we need to know that the taxpayer can elect to carry the loss back and apply it to prior years or carry it forward to apply to future years. You will see it reported on Line 21 as an "NOL carryforward" – maybe just as an "NOL". These are losses and should be added back per our definition of disposable income.

Gambling Winnings

For purposes of determining combined disposable income, gambling winnings must be included in disposable income. Gambling losses are not deductible and cannot be used to offset winnings.

Under the laws and rules governing the property tax relief programs, "adjusted gross income" as determined under IRS rules is our starting place. Under IRS rules, gambling winnings are included as income as part of adjusted gross income. Gambling losses can be reported only if the

taxpayer uses Schedule A to itemize deductions. Even if the gambling winnings could be reported on the 1040 as a "net" amount, we would still have to add back the gambling losses since they are classified as "losses" and we cannot use losses to offset other income. WAC 458-16A-120(2)(d)(iii)

Following are the pertinent IRS rules and instructions.

Form 1040 Instructions:

Taxable income. Use line 21 to report any taxable income not reported else-where on your return or other schedules. List the type and amount of income. If necessary, include a statement showing the required information. For more de-tails, see *Miscellaneous Income* in Pub. 525.

Examples of income to report on line 21 include the following.

- Gambling winnings, including lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for Schedule A, line 28.

Schedule A - Line 28 Instructions:

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 28. If you need more space, attach a statement to your paper return showing the type and amount of each expense. Enter one total on line 28.

Gambling losses (gambling losses include, but aren't limited to, the cost of non-winning bingo, lottery, and raffle tickets), but only to the extent of gambling winnings reported on Form 1040, line 21.

Topic 419 - Gambling Income and Losses

The following rules apply to casual gamblers who aren't in the trade or business of gambling. Gambling winnings are fully taxable and you must report the income on your tax return. Gambling income includes but isn't limited to winnings from lotteries, raffles, horse races, and casinos. It includes cash winnings and the fair market value of prizes, such as cars and trips. For additional information, refer to Publication 525, *Taxable and Nontaxable Income*, or review How Do I Claim My Gambling Winnings and/or Losses?

Gambling Winnings

A payer is required to issue you a Form W-2G (PDF), *Certain Gambling Winnings*, if you receive certain gambling winnings or have any gambling winnings subject to federal income tax withholding. You must report all gambling winnings on your Form 1040 (PDF) as "Other Income" (line 21), including winnings that aren't reported on a Form W-2G (PDF). When you have gambling winnings, you may be required to pay an estimated tax on that additional income. For information on withholding on gambling winnings, refer to Publication 505, *Tax Withholding and Estimated Tax*.

Gambling Losses

You may deduct gambling losses only if you itemize your deductions on Form 1040, Schedule A (PDF), and kept a record of your winnings and losses. The amount of losses you deduct can't be more than the amount of gambling income you reported on your return. Claim your gambling losses up to the amount of winnings, as an "Other Miscellaneous Deduction" (line 28) that's not subject to the 2% limit.

Difficulty Of Care Payments

In 2017, the Admin Group had a discussion regarding something new for this year.

> The scenario:
>
> The applicant has a disabled son and has been caring for him in her home for 50+ years. She is receiving income from DSHS for his care as an "individual Provider to provide personal care services". This income is reported on a W-2 as wages, however, on her tax return she is taking a deduction for most of it (as a loss on Line 21 of the 1040) per "IRS issued Notice 2014-7" so it is not being included in Adjusted Gross Income. This is considered "Difficulty of Care Payments" so it can be excluded from taxable income for federal tax purposes. She provided a copy of the notice DSHS sent to her explaining how to report it for federal tax purposes.

The notice is issued by the State of Washington, Department of Social and Health Services, Aging and Long Term Support Administration, Developmental Disabilities Administration. The first sentence says: "**You are receiving this notification because you are contracted as an Individual Provider to provide personal care services.**" In the second paragraph, it explains IRS Notice 2014-7.

IRS changed their rules regarding what is excluded from "gross income". Difficulty of care payments used to be included in gross income as part of wages. Since January 2014, that was no longer true and, in March 2016, IRS also ruled to give that same status to payments for personal care paid through state plan programs. To make a long story a little bit shorter, what that means for us is that these types of payments should no longer be included in the gross wages amount reported in Box 1 of the W-2.

To complicate the matter, based on the letter from DSHS provided by the taxpayer, it looks like DSHS was not able to re-program in time to exclude those payments from the amount in Box 1 of the W-2. Therefore, in order to make the IRS ruling work, the nontaxable portion of the wages is deducted on Line 21.

There is nothing in law or rule directing us to add this amount back. Because it is now excluded from gross income it is also excluded from adjusted gross income, which is our starting point, and it is not on our list of income types to add when determining disposable income.

Bottom line, if you see this, you should <u>not</u> add back the deduction for the "difficulty of care" payments.

Following is part of the Q&A on the IRS website.

> Q11. I received wage payments that are excludable from gross income under Notice 2014-7. However, the agency that pays me treats me as an employee and continued to withhold federal income tax on the payments and reported the payments as wages in box 1 of Form W-2, Wage and Tax Statement. How should I report to the Service that the payments are excludable from gross income?
>
> A11. If you are not able to obtain a Form W-2c, Corrected Wage and Tax Statement, from the agency reporting the correct amount in box 1 of Form W-2, you should include the full amount of the payments reported in box 1 of Form W-2 as wages on line 7 of Form 1040. You should then subtract the excludable portion of the amount in box 1 on line 21 "Other income," of Form 1040. If you have other income reportable on line 21, you should enter the net amount after subtracting the amount excludable from gross income under Notice 2014-7 from the other amounts reportable on line 21. You may need to enter a negative amount on line 21 if you have no other income reportable on line 21, or if the amount of other income you must report on line 21 is less than the amount excludable from gross income. You should write "Notice 2014-7" on the dotted line for line 21 if you file a paper return, or enter "Notice 2014-7" on line 21 for an electronically filed return.

COMBINED DISPOSABLE INCOME

Combined disposable income means the disposable income of the applicant, plus the disposable income of his or her spouse or domestic partner, plus the disposable income of any cotenant(s) who occupied the residence during the assessment (income) year, **less** any amounts paid by the applicant or his or her spouse or domestic partner for allowable deductions to income.

Remember, when the applicant's financial situation changed during the year and the change reduced income by two or more months during the assessment/income year, you must use the income averaging method to calculate combined disposable income. Also see pages 116-117.

> RCW 84.36.381(4) The amount that the person is exempt from an obligation to pay is calculated on the basis of combined disposable income, as defined in RCW 84.36.383. If the person claiming the exemption was retired for two months or more of the assessment year, the combined disposable income of such person must be calculated by multiplying the average monthly combined disposable income of such person during the months such person was retired by twelve. If the income of the person claiming exemption is reduced for two or more months of the assessment year by reason of the death of the person's spouse or the person's domestic partner, or when other substantial changes occur in disposable income that are likely to continue for an indefinite period of time, the combined disposable income of such person **must** be calculated by multiplying the average monthly combined disposable income of such person after such occurrences by twelve. If it is necessary to estimate income to comply with this subsection, the assessor may require confirming documentation of such income prior to May 31 of the year following application;

A "co-tenant" is a person who has an ownership interest in the home **and** lives in the home.

If a person lives in the home but does not have any ownership interest, only the amount of income contributed to the running of the household should be included.

Income of an absent spouse or domestic partner may be excluded if the couple is divorced, legally separated, living separate and apart, or has a valid property settlement agreement separating the income of one spouse or domestic partner from the other.

Validly executed divorce, separation and/or property settlement agreement
If there is a validly executed separation and/or property settlement agreement, either of which separates the income of one spouse or domestic partner from the other, then the income of the spouse or domestic partner not occupying the residence should not be included.

Absent spouse or domestic partner
Income of an "absent spouse or domestic partner" may also be excluded. According to WAC 458-16A-120(2)(a), "when a spouse or domestic partner has been absent for over a year and the claimant has no knowledge of his/her spouse's or domestic partner's whereabouts 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 application:

(i) The claimant's spouse or domestic partner has been absent;
(ii) The claimant has not and does not know the whereabouts of the claimant's spouse or domestic partner;
(iii) The claimant has not had any communication with the claimant's spouse or domestic partner;
(iv) The claimant has not received anything of value from the claimant's spouse or domestic partner or anyone acting on behalf of the claimant's spouse or domestic partner."

The statement must also agree to provide this income information if the claimant is able to obtain it any time prior to the next renewal cycle.

Separated spouse or domestic partner
The income of a "separated" spouse or domestic partner might also not be included in the situation described in RCW 26.16.140, which states as follows: When spouses or domestic partners are living separate and apart, their respective earnings and accumulations shall be the separate property of each. . . . As explained by case law, "living separate and apart" means the couple must be living separately – maintaining separate residences and keeping money and assets separate.

The intent is to avoid "punishing" the spouse who may be in the process of obtaining a legal separation or divorce and, at the same time, avoid aiding those who are simply trying to avoid paying property tax. Caution should be taken. In these cases, it is necessary to verify that the "separate" spouse has no ownership interest in the residence to be exempted, and that all income, banking accounts, living expenses, etc., are truly separate.

If both are on title for the residence, they file a joint tax return, and there is no property settlement agreement or legal separation, in the Department's opinion you would have to include both incomes because we cannot say they are "maintaining separate residences and keeping money and assets separate".

The things you want to look at include (but are not necessarily limited to):

- Ownership of any assets – the home, vehicles, bank accounts, investments, business enterprises, etc.
- Income sources – does either spouse receive income from the other
- Living expenses – who is paying – utilities, mortgages, insurance, medical, etc.
- Tax return – status should be "married filing separately"

Because any exemption results in a shift of the tax burden to other taxpayers, it is important that we follow the rules of strict construction and not inadvertently expand an exemption beyond the scope originally intended. Each set of circumstances is different and in each scenario we have to

look at the details before making a decision. Typically, when one spouse is supporting or paying expenses for the other spouse, the income of the absent spouse must be included.

ALLOWABLE DEDUCTIONS TO INCOME

There are four types of expenses that may be deducted from combined disposable income. These include out-of-pocket costs for:

(1) Medicare insurance premiums paid under Title XVIII of the Medicare Insurance Act. At this time, other insurance premiums are not deductible. Deductible premiums include Medicare Parts A, B, C, and D. Parts A and B are typically included in the premium shown on the annual Social Security statement. Medicare Part D is a Medicare prescription drug program and Medicare Part C is the MedicareAdvantage program. Most MedicareAdvantage plans include Medicare Part D for prescription drugs and some plans include extra coverage like vision, dental, and health and wellness programs. To determine whether a particular plan is an approved MedicareAdvantage plan (Medicare Part C), go to the Medicare website at https://www.medicare.gov/find-a-plan/questions/home.aspx. (**See the instructions beginning on the next page.**)

Caution: If the taxpayer is a self-employed sole proprietor who has a self-employed health insurance deduction on Line 29 of the Form 1040 **and** also has Medicare premiums to deduct, make sure that you are not allowing the Medicare insurance premium deduction twice. Under IRS rules, this deduction allows amounts for "Medicare premiums voluntarily paid to obtain insurance in the individual's name" that is similar to private health insurance. This could include Medicare Parts B, C, and D.

(2) Nursing home, assisted living facility (boarding home), or adult family home costs. This deduction is for the actual non-reimbursed costs of care and these costs may be deducted from income in the year the costs are incurred.

(3) Cost for care or treatment received in the home. These costs are for care or treatment a person receives in the home that is similar to nursing home care. For example, therapy or nursing care received in the home, meals on wheels, attendant care, in-home hospice care, etc. Special needs equipment and/or furniture is also included. See WAC 456-16A-100(18) for more details.

(4) Non-reimbursed costs for prescription drugs.

PART C MEDICARE/ADVANTAGE PLANS vs. SUPPLEMENTAL MEDICARE PLANS

The statute, RCW 84.36.383(4)(c), says that "health care insurance premiums for Medicare under Title 18 of the SSA" should be deducted when calculating combined disposable income. Health care insurance premiums under Title 18 of the SSA include:

Part A—Hospital Insurance Benefits for the Aged and Disabled,
Part B—Supplementary Medical Insurance Benefits for the Aged and Disabled,
Part C—Medicare + Choice Program – also called MedicareAdvantage, and
Part D—Voluntary Prescription Drug Benefit Program

A MedicareAdvantage Plan (like an HMO or PPO) is another Medicare health plan choice you may have as part of Medicare. MedicareAdvantage Plans, sometimes called "Part C" or "MA Plans," are offered by private companies approved by Medicare.

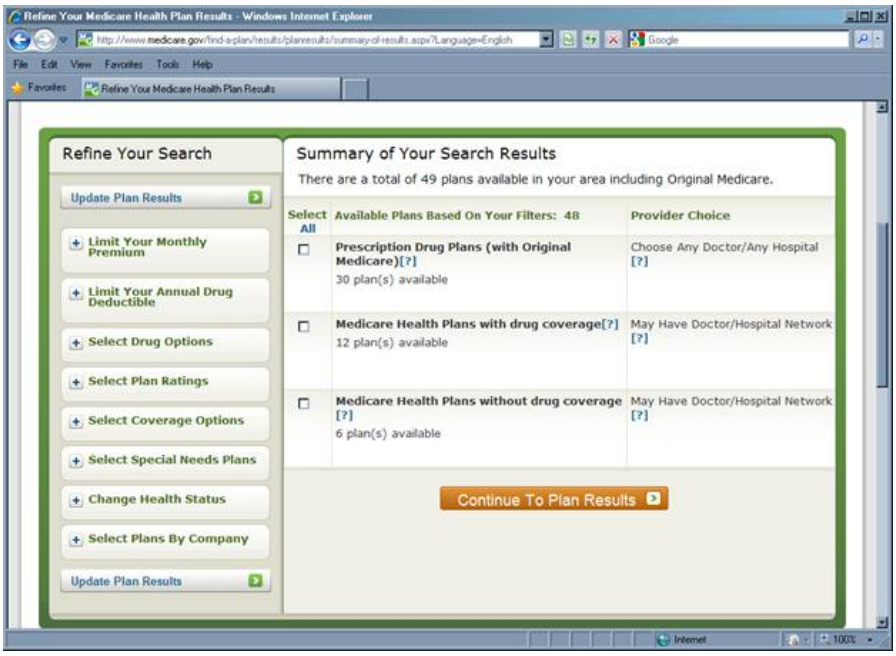
- If you join a MedicareAdvantage Plan, the plan usually provides Part A (Hospital Insurance) and Part B (Medical Insurance) coverage. MedicareAdvantage Plans may offer extra coverage, such as vision, hearing, dental, and/or health and wellness programs. Most include Medicare prescription drug coverage (Part D).

- Medicare pays a fixed amount for care every month to the companies offering MedicareAdvantage Plans. These companies must follow rules set by Medicare. However, each MedicareAdvantage Plan can charge different out-of-pocket costs and have different rules for how you get services (like whether you need a referral to see a specialist or if you have to go to only doctors, facilities, or suppliers that belong to the plan for non-emergency or non-urgent care). These rules can change each year.

Original Medicare pays for many, but not all, health care services and supplies. Medicare supplemental, or Medigap, policies are sold by private insurance companies and can help cover some of the health care costs that Medicare does not cover, like copayments, coinsurance, and deductibles. **A Part C MedicareAdvantage plan premium is an allowable deduction. Medicare supplemental or Medigap premiums are not.**

Instructions to use the link for the MedicareAdvantage plan website:
https://www.medicare.gov/find-a-plan/questions/home.aspx

1. Click on the link and when the webpage loads, enter the zip code for the taxpayer's residence and click on "Find Plans".
2. In Step 1, choose "I don't know" for both of the questions shown and click on "Continue to Plan Results".
3. In Step 2, click on "I don't want to add drugs now" and then choose "Skip Drug Entry" in the pop-up box.
4. In Step 4, choose which summary results you want to see and click on "Continue to Plan Results". If you are looking for health plans, just choose those options. For instance, if you are searching for approved MedicareAdvantage plans, choose the bottom two options because then you have fewer plans to scroll through. (**Hint**: Usually you will be looking for health plans. Prescription drug plans are usually pretty easy to verify without going through these steps. You can simply ask the applicant to show you their prescription drug card and if it's a Medicare plan, somewhere on the card it should say "Medicare Part D".)



5. This site will show the plans in the groups shown above. First, you'll see "Original Medicare". You can click on the "minus" sign next to "Original Medicare" to collapse that section. The next section will show Medicare plans <u>with</u> drug coverage and the last section will show Medicare plans <u>without</u> drug coverage. If you have more than 10 listings, you should change how many are "viewed". The webpage defaults to "View 10" so if there are more than 10, you won't see the whole list. If there are more than 10 listings, change the "View" option first and then change the sort option to "Plan Name" to make it easier to find the plan.

6. **<u>Caution:</u>** If you change the view and the sort in the first group, it does not change the view and the sort in the next group. Each group, or section, is viewed and sorted on its own. The default view is "10" and the default sort is "Lowest Estimated Annual Health and Drug Cost".

If you find the taxpayer's plan on this website, the plan is an approved Part C, MedicareAdvantage, plan and the premium <u>is</u> an allowable deduction.

If you do not find it here, the plan is most likely a supplemental or Medigap plan and the premium would <u>not</u> be an allowable deduction.

<u>WHAT IS A PRESCRIPTION?</u>

> **<u>RCW 69.50.101(kk)</u>** "Prescription" means an order for controlled substances issued by a practitioner duly authorized by law or rule in the state of Washington to prescribe controlled substances within the scope of his or her professional practice for a legitimate medical purpose.

MEDICAL MARIJUANA

Medical marijuana is a legitimate prescription drug under RCW 69.51A. Now that marijuana is also legal for recreational use, we will need to differentiate between these two types of use when determining allowable out-of-pocket costs for prescription drugs.

NOTE: The authorization and the prescription are two different things.

Under this chapter, the person who has a prescription must also have "authorization".

> **RCW 69.51A.010(1)**
> (a) Until July 1, 2016, "authorization" means:
> (i) A statement signed and dated by a qualifying patient's health care professional written on tamper-resistant paper, which states that, in the health care professional's professional opinion, the patient may benefit from the medical use of marijuana; and
> (ii) Proof of identity such as a Washington state driver's license or identicard, as defined in RCW 46.20.035.
> (b) Beginning July 1, 2016, "authorization" means a form developed by the department that is completed and signed by a qualifying patient's health care professional and printed on tamper-resistant paper.
> (c) An authorization is not a prescription as defined in RCW 69.50.101.
>
> **RCW 69.51A.010(19)** "Qualifying patient" means a person who:
> (a)(i) Is a patient of a health care professional;
> (ii) Has been diagnosed by that health care professional as having a terminal or debilitating medical condition;
> (iii) Is a resident of the state of Washington at the time of such diagnosis;
> (iv) Has been advised by that health care professional about the risks and benefits of the medical use of marijuana;
> (v) Has been advised by that health care professional that they may benefit from the medical use of marijuana;
> (vi)(A) Has an authorization from his or her health care professional; or
> (B) Beginning July 1, 2016, has been entered into the medical marijuana authorization database and has been provided a recognition card; and
> (vii) Is otherwise in compliance with the terms and conditions established in this chapter.
> (b) "Qualifying patient" does not include a person who is actively being supervised for a criminal conviction by a corrections agency or department that has determined that the terms of this chapter are inconsistent with and contrary to his or her supervision and all related processes and procedures related to that supervision.
>
> **RCW 69.51A.010(20)** "Recognition card" means a card issued to qualifying patients and designated providers by a marijuana retailer with a medical marijuana endorsement that has entered them into the medical marijuana authorization database.
>
> .

> **RCW 69.51A.010(23)** **"Tamper-resistant paper"** means paper that meets one or more of the following industry-recognized features:
> (a) One or more features designed to prevent copying of the paper;
> (b) One or more features designed to prevent the erasure or modification of information on the paper; or
> (c) One or more features designed to prevent the use of counterfeit authorization.

HOMEOPATHIC DRUGS

Unfortunately, we usually cannot allow a deduction for the cost of "naturopathic medicines" because these are typically vitamin and mineral supplement compounds rather than "prescription drugs". These types of supplements would be similar to vitamins, aspirin, etc., that are considered "over the counter" medications rather than "prescription drugs".

However, the term "drug" does include "substances recognized as drugs in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States, or official national formulary, or any supplement to any of them". The following website is the official compendium for homeopathic drugs in the United States: http://www.hpus.com/.

NOTE: A naturopath does also have authority to prescribe medical marijuana, as well as codeine and testosterone products. Those prescriptions would be allowable deductions as would a "drug" listed on the official homeopathic pharmacopoeia of the United States.

If the applicant is under a physician's care and can provide documentation that the "naturopathic medicines" were prescribed as part of a specific course of treatment for an illness, the Assessor might be able to allow some or all of the deductions under the "home health care" category.

According to RCW 84.36.383(4)(a) we can allow a deduction for "drugs supplied by prescription of a medical practitioner authorized by the laws of this state or another jurisdiction to issue prescriptions".

> RCW 84.36.383(4) **"Combined disposable income"** means the disposable income of the person claiming the exemption, plus the disposable income of his or her spouse or domestic partner, and the disposable income of each cotenant occupying the residence for the assessment year, less amounts paid by the person claiming the exemption or his or her spouse or domestic partner during the assessment year for:
>
> (a) Drugs supplied by prescription of a medical practitioner authorized by the laws of this state or another jurisdiction to issue prescriptions;
>
> WAC 458-16A-100(20) **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.

WAC 458-16A-135(5)(e)(vi)(E) If the claimant indicates that the non-reimbursed 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 non-reimbursed prescription drug expenses;

The Washington State Healthcare Authority rules for prescription drug programs in WAC 182.50, provides definitions for the terms “drug”, “practitioner”, and “prescription.”

WAC 182.50.005 **Definitions.**

(3) "Drug" means the term as it is defined in RCW 69.41.010 (10) and (13).

(5) "Practitioner" means a health care provider, except a veterinarian, as defined at RCW 18.64.011(29).

(8) "Prescription" has the meaning set forth in RCW 18.64.011(30).

RCW 69.41.010 **Definitions.**

(10) "Drug" means:
(a) Substances recognized as drugs in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States, or official national formulary, or any supplement to any of them;
(b) Substances intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in human beings or animals;
(c) Substances (other than food, minerals or vitamins) intended to affect the structure or any function of the body of human beings or animals; and
(d) Substances intended for use as a component of any article specified in (a), (b), or (c) of this subsection. It does not include devices or their components, parts, or accessories.

(13) "Legend drugs" means any drugs which are required by state law or regulation of the state board of pharmacy to be dispensed on prescription only or are restricted to use by practitioners only.

RCW 18.64.011(29) **"Practitioner"** means a physician, dentist, veterinarian, nurse, or other person duly authorized by law or rule in the state of Washington to prescribe drugs.

RCW 18.64.011(30) **"Prescription"** means an order for drugs or devices issued by a practitioner duly authorized by law or rule in the state of Washington to prescribe drugs or devices in the course of his or her professional practice for a legitimate medical purpose.

The scope of practice for a licensed naturopath is in chapter 18.36A RCW.

RCW 18.36A.040 **Scope of Practice.**

Naturopathic medicine is the practice by naturopaths of the art and science of the diagnosis, prevention, and treatment of disorders of the body by stimulation or support, or both, of the natural processes of the human body. A naturopath is responsible and accountable to the consumer for the quality of naturopathic care rendered.

The practice of naturopathic medicine includes manual manipulation (mechanotherapy), the prescription, administration, dispensing, and use, except for the treatment of malignancies, of nutrition and food science, physical modalities, minor office procedures, homeopathy, naturopathic medicines, hygiene and immunization, contraceptive devices, common diagnostic procedures, and suggestion; however, nothing in this chapter shall prohibit consultation and treatment of a patient in concert with a practitioner licensed under chapter 18.57 or 18.71 RCW. No person licensed under this chapter may employ the term "chiropractic" to describe any services provided by a naturopath under this chapter.

RCW 18.36A.020(10) **"Naturopathic medicines"** means vitamins; minerals; botanical medicines; homeopathic medicines; hormones; and those legend drugs and controlled substances consistent with naturopathic medical practice in accordance with rules established by the board. Controlled substances are limited to codeine and testosterone products that are contained in Schedules III, IV, and V in chapter 69.50 RCW.

HOME HEALTH CARE

Remember - Only the Assessor has the authority to make the determination regarding what can be allowed in a specific situation and only the Assessor has the authority to approve or deny a claim for exemption.

“Home health care” is defined in WAC 458-16A-100(18).

(18) 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 own home, but shall not include improvements or repair of the home itself.

Categories (a) and (b)

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

The first two types of care under (a) and (b) are pretty straightforward. These include any type of medical treatment or care or physical therapy received in the home. This would include physical therapy as well as any nursing or medical care where the practitioner actually goes into the home.

Category (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)

Some items that might be included in category (c) in addition to the items listed - i.e. oxygen, wheel chairs, hospital beds, therapy equipment, meals on wheels – are diabetic supplies.

Supplies for diabetics fall into this category because even though “insulin” is a prescription drug, the syringes and testing materials are not prescription drugs.

This does not mean that we allow a deduction for daily multi-vitamins but it could mean that we could allow a deduction in some cases when the situation is similar to that of necessary supplies for diabetics.

Following are some other examples.

- A taxpayer requires oxygen. We can allow a deduction for the delivery equipment and for the oxygen.
- A taxpayer had blood tests indicating anemia and the doctor directed that person to take an iron supplement for a month or two as part of a “course of treatment”.
- A taxpayer is undergoing chemo and is instructed to use “Ensure” as a dietary supplement during the course of the chemo.
- A taxpayer uses “life alert” or a similar type of service in case of falls or medical emergencies.
- A taxpayer uses the Meals-On-Wheels program or something similar.

- A taxpayer uses a walker or wheelchair and has installed a moveable ramp to get in and out of the house. The cost to build a permanent ramp is not deductible since that falls under "improvements or repair of the home itself".
- Portable bath furniture is purchased for the bathroom. Costs for a bathroom remodel are not deductible since those would fall under "improvements or repair of the home itself".
- Service dogs – The cost of acquisition for the dog falls under "special needs equipment". There is no allowance for ongoing care and maintenance for any type of special needs equipment so the cost of care for the dog (including food, veterinary care, etc.) would not be an allowable deduction.

Category (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 own home, but shall not include improvements or repair of the home itself

These types of services might also include the following.

- Light housekeeping
- Yard maintenance – including lawn care – when the applicant is unable to maintain his/her own yard

WORKSHEET TO CALCULATE CAPITAL GAIN OR LOSS ON THE SALE OF A PRIMARY RESIDENCE

Disposable income includes capital gains, except for the gain from the sale of a principal residence to the extent such gain is reinvested in a replacement principal residence either prior to the sale or within the same calendar year. ***RCW 84.36.383(5)(a)*** ***and*** ***WAC 458-16A-100(12)(a)*****.**

Capital gain is the difference between the cost of the real property plus the cost of improvements, and the selling price of the property less any sales expenses. See ***WAC 458-16A-100(4)*****.**

PART I – Calculating the Gain

(A) **Selling Price of Old Home** **$_____**

(B) Enter all allowable sales expenses $_____
(Sales commissions, etc.)
(See **IRS Pub 523** for a list of allowable expenses)

(C) **(C = A - B)** **Proceeds from sale of old home** **$_____**

(D) **Purchase Price of Old Home** **$_____**
(The price paid for it at the time
it was purchased)

(E) Enter the cost of any improvements **$_____**
to the old home (These costs must be documented
and verifiable with receipts – See the next page in your
manual and **IRS Pub 523**)

(F) **(F = D + E)** **Adjusted basis of old home** **$_____**

(G) **(G = C – F)** **Capital Gain or Loss** (If -0- or less **$_____**
then there is no capital gain and you can stop here)

PART II – Determining the Portion of the Gain to Include in Disposable Income

(H) **Cost of new home** $_____

(I) **(I = G – H) Amount of Gain Not Re-invested** $_____

If the amount on Line I is -0- or less, then the entire gain has been reinvested. The purchase price of the new home exceeds the amount of capital gain realized from the sale of the old home and there is nothing to report as income. Any amount on Line I that is greater than -0- must be included in disposable income. This represents the portion of the capital gain that was not re-invested in the replacement residence.

DETERMINING ADJUSTED BASIS AND GAIN OR LOSS ON SALE

See IRS Publication 523 for additional assistance.

Selling expenses. Selling expenses include:

- Commissions,
- Advertising fees,
- Legal fees, and
- Loan charges paid by the seller, such as loan placement fees or "points."

Examples of Increases and Decreases to Basis

Increases to Basis	Decreases to Basis
Capital improvements: ➢ Putting an addition on your home ➢ Replacing an entire roof ➢ Paving your driveway ➢ Installing central air conditioning ➢ Rewiring your home Assessments for local improvements: ➢ Water connections ➢ Sidewalks ➢ Roads Casualty losses: ➢ Restoring damaged property Legal fees: ➢ Cost of defending and perfecting a title Zoning costs	Exclusion from income of subsidies for energy conservation measures Casualty or theft loss deductions and insurance reimbursements Credit for qualified electric vehicles Section 179 deduction Deduction for clean-fuel vehicles and clean-fuel vehicle refueling property Depreciation Nontaxable corporate distributions

Determining Basis when the taxpayer built the residence or contracted to have it built – from IRS Publication 523

Construction. If you contracted to have your house built on the land you own, your basis is:

- The cost of the land, plus
- The amount it cost you to complete the house, including:

1. The cost of labor and materials,
2. Any amounts paid to a contractor,
3. Any architect's fees,
4. Building permit charges,
5. Utility meter and connection charges,
6. Legal fees directly connected with building the house.

Your cost includes your down payment and any debt such as a first or second mortgage or notes you gave the seller or builder. It also includes certain settlement or closing costs. You must reduce your basis by points the seller paid you.

If you built all or part of your house yourself, its basis is the total amount it cost you to complete it. **Don't include** in the cost of the house:

- The value of your own labor, or
- The value of any other labor for which you didn't pay.

INSTALLMENT SALE WORKSHEET

Step 1: First, determine the capital gain or loss on the installment sale. If there is a loss, you will simply exclude the loss. If there is a gain, you can use this worksheet to determine how much of the annual receipts should be included in disposable income.

Gain on the Sale $

Step 2: Calculate the percentage of profit.

Divide the gain ($)

by the sales price ($) to arrive at the

percentage of profit (%)

Step 3: Subtract the interest received from the total payment amount received.

$ (Total amount received in the income year)

– _____(Interest portion of the amount received)

$ (Portion attributed to principal)

Step 4: Multiply the principal portion of the amount received (from Step 3) by the percentage of profit (from Step 2) to determine how much of the principal received is a capital gain that must be included in the disposable income calculation.

$ (Step 3 Answer)

X_____ (Step 2 Answer)

$ (Capital Gain)

The payments received from the contract sale that represent interest (Step 3) and capital gain (Step 4) must be included as income in the year the income is actually received.

SAMPLE LETTER AND QUESTIONAIRE FOR TAXPAYERS WHO REPORT -0- INCOME

DATE

Name
Address
Address

Dear :

We have received your application for property tax exemption (or deferral) for taxes due in 2019. You stated on the application that your income for 2018 was zero. Your combined disposable income is an important factor is determining whether you meet the requirements for this program. Having zero income raises some questions in our minds, and we want to be sure this information has been reported accurately.

It is very unusual for an applicant to receive no income. The income that must be reported for determining eligibility in this program is unique. Some applicants may be receiving income that should be reported on this application even though it is not generally viewed by other organizations as income. Consequently, these income amounts may have inadvertently been excluded when you were completing your application.

We know there are expenses connected with maintaining and operating a home, and expenses associated with daily living, but you have not listed any income sources on your application. To ensure that we are approving your application based on accurate information, we are asking you to answer the questions on the following page regarding your income information for 2018. Please return the signed document to me as soon as possible.

Be assured your answers will be held in strict confidence. The information you provide will be used only to approve or deny your claim for property tax exemption (or deferral). Your signature attesting to your 2018 income is subject to the penalty of perjury contained in chapter 9A.72 of the Revised Code of Washington.

Sincerely,

Name
Title
Office
Phone number

Taxpayers Name
Mailing Address

Property Address

INCOME SOURCES – Indicate by checking the boxes and providing the dollar amounts received for all income sources that apply for you as the applicant (A), your spouse/domestic partner (S/DP) and any co-tenants (C).

A	S/DP	C	$$ AMOUNT	INCOME SOURCE
				Filed an IRS tax return
				Earned wages
				Pensions or Annuities
				IRA distributions
				Social Security benefits or Railroad Retirement benefits
				Cash and/or Food Assistance from DSHS
				Veterans benefits
				Military benefits
				L & I benefits, Worker's Compensation, or other similar benefits
				Unemployment benefits
				Alimony, Spousal Maintenance, or Child Support
				Interest or Dividends
				Gambling Winnings
				Trust, Royalty, Partnership, Estate/Inheritance income
				Investment income – capital gains (stocks, mutual funds, etc.)
				Foreign income
				Rental, Business, or Farm income
				Savings, Certificates of Deposit (CD's), Money Market Accounts
				Reverse Mortgage
				Gifts or Loans from family, friends, or others
				Contributions from others who live in your home
				Other (describe):

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

(Signature)

(Date and place of signing)

Combined Disposable Income Worksheet		Income Year
Income:	**$ Amount**	**Checklist**
A. Adjusted Gross Income (**AGI**) from Federal Income Tax Return. Enter -0- if no return was filed.		IRS Form 1040 IRS Form 1040A IRS Form 1040EZ
B. **Capital Gains** not reported on the tax return. Do not add the gain from the sale of a primary residence if the entire gain was used to purchase a replacement residence in the same year. Do not use losses to offset gains.		Sch D Form 4797 Form 6252 Other_____
C. Amounts deducted for **Losses** (including capital losses). Losses must be added back to the extent they were used to offset/reduce income. (Ex: On Schedule D, a ($10,000) loss was reported but the loss was limited to ($3,000), shown on Line 13 of the 1040. Add the ($3,000) loss used to offset/reduce income.) (Ex: There are two Sch C's – one with a ($10,000) loss and one with a $5,000 net income. A net loss of ($5,000) was reported on the 1040, Line 12. Add back the ($10,000) loss.)		1040 - Line _____ 1040 - Line _____ 1040 - Line _____ Schedule C Schedule D Schedule E Schedule F Other _____
D. Amounts deducted for **Depreciation.** That expense must be added back to the extent the expense was used to reduce income. (Ex: Net loss reported: If depreciation was deducted as a business and/or rental expense that resulted in a loss, recalculate the net income/loss without the depreciation expense. If there is still a net loss enter -0- here, if there is net income enter the net income here.)		Schedule C Schedule E Schedule F Schedule K-1 Other _____
E. **Dividends or Interest** income. Report nontaxable interest or dividends and any other interest **or** dividends not reported on the tax return (including interest on State and Municipal bonds).		1040 - Line _____ 1099 Forms Other _____
F. Nontaxable **Pension and Annuity** income **or** income from these sources not reported on the tax return. Report the amounts here. (Ex: You received $10,000 in pensions and annuities. The taxable amount was $6,000. Report the nontaxable $4,000 here.) Do not include non-taxable IRA distributions.		1040 - Line _____ 1099 Forms Other _____
G. **Military Pay and Benefits** that were nontaxable **or** were not reported on the tax return. Report that income here, including **CRSC**. Do not include attendant-care and medical-aid payments.		1099 Forms Other _____
H. **Veterans Pay and Benefits** from the Department of Veterans Affairs that were nontaxable **or** were not reported on the tax return. Report that income here. Do not include attendant-care and medical-aid payments, disability compensation, or dependency and indemnity compensation paid by DVA.		1099 Forms Other _____
I. Nontaxable **Social Security or Railroad Retirement Benefits or** income from these sources that was not reported on the tax return. (Ex: Gross Social Security benefit was $10,000 and $4,000 was included in AGI as the taxable amount, report the non-taxable $6,000 here.)		1099 Forms Other _____
J. Income from **Business, Rental, or Farming** activities (IRS Schedules C, E, or F) that was not reported on the tax return. Deduct normal expenses, except depreciation expense, but **do not use losses to offset income.**		Bank Statements 1099 Forms Other _____
K. **Other Income** not already included in Lines A - J. (Ex: Foreign income not reported on U.S. return.) List source, type, and amount.		Bank Statements 1099 Forms Other _____
Subtotal Income:		
Allowable Deductions:		
L. Nursing Home, Boarding Home, or Adult Family Home Expenses		Other _____
M. In-Home Care Expenses		Other _____
N. Prescription Drugs		Printout/Receipt
O. Insurance Premiums for Medicare under Title XVIII of the Social Security Act (Parts A, B, C, and D)		SS Statement Other _____
P. Enter -0 if there is an amount on Line A. If no IRS return was filed and there are adjustments for items shown on the lower portion of IRS Form 1040, deduct those costs here. (Ex: Alimony paid)		Other _____
Subtotal Allowable Deductions:		
Total Combined Disposable Income Less Allowable Deductions:		

Prepared By: _____

Adjustments to Gross Income (for Line P of CDI Worksheet)(see WAC 458-16A-115 and request documentation if no tax return is filed):

Educator expenses
Certain business expenses of reservists, performing artists, and fee-basis government officials (from Form 2106 or 2106-EZ)
Health savings account deduction (from Form 8889)
Moving expenses (from Form 3903)
One-half of self-employment tax (from Schedule SE) - **only allowed if a tax return is filed**
Self-employed SEP, SIMPLE, and qualified plans (request documentation if no return is filed)
Self-employed health insurance deduction (from worksheet provided with Form 1040 instructions)
Penalty on early withdrawal of savings **(these are classified as losses and should be added back)**
Alimony
IRA deduction
Student loan interest deduction
Tuition and fees deduction (from Form 8917)
Domestic production activities deduction (from Form 8903)

Exemption Levels

Tax Year 2016 and forward:

Tier 1 = $00,000 to $30,000
Exempt from regular property tax on $60,000 or 60% of value, whichever is greater.
Exempt from all excess levies.

Tier 2 = $30,001 to $35,000
Exempt from regular property tax on $50,000 or 35% of value, whichever is greater, but not more than $70,000.
Exempt from all excess levies.

Tier 3 = $35,001 to $40,000
Exempt from all excess levies.

Tax Year 2005 through 2015:

Tier 1 = $00,000 to $25,000
Exempt from regular property tax on $60,000 or 60% of value, whichever is greater.
Exempt from all excess levies.

Tier 2 = $25,001 to $30,000
Exempt from regular property tax on $50,000 or 35% of value, whichever is greater, but not more than $70,000.
Exempt from all excess levies.

Tier 3 = $30,001 to $35,000
Exempt from all excess levies.

Decoding Social Security "Claim" Numbers - Social Security Benefit Statement, Box 8.

A claim number is the Social Security number on which you are claiming Social Security benefits. And it's always followed by a little letter symbol to indicate the kind of benefit you have claimed. For many people, their claim number is simply their own Social Security number with the little symbol following it, usually an "A." But some people claim Social Security benefits on another person's Social Security record — almost always a spouse and sometimes a parent. So their claim number is the spouse's or parent's Social Security number followed by the appropriate claims symbol.

The letters were essentially assigned alphabetically, as benefits were added to Social Security law. Here is a list of the claims symbols used. It's not a complete list.

—A — This claims symbol indicates you are getting your own retirement benefits

—B — You are getting benefits as an aged (over 62) wife on your husband's record

—B1 — You are getting benefits as an aged (over 62) husband on your wife's record

—B2 — You are getting benefits on your husband's record as a young wife (under age 62) caring for his minor child

—B6 — You are getting benefits as a divorced wife on your ex husband's record

—C — You are getting benefits as a child on your parent's record

—D — You are getting aged (over age 60) widow's benefits from your deceased husband's record

—D1 — You are getting aged (over age 60) widower's benefits from your deceased wife

—D6 — You are getting divorced widow's benefits

—E — You are getting mother's benefits — paid to a widow under age 60 who is caring for the minor children of a father who has died

—E1 — same as above, except you are divorced from the father

—E4 — You are getting father's benefits — paid to a widower under age 60 who is caring for the minor children of a mother who has died

—F — You are getting benefits as a dependent parent on a grown son or daughter's Social Security account (very rare)

—HA — You are getting disability benefits on your own account

—M — You don't have enough work credits for regular Social Security and you only qualify for Part B Medicare benefits

—T — You are not insured for Social Security benefits, but you are eligible for Part A hospital coverage from Medicare

—W — You are getting disabled widow's benefits on your deceased husband's account

—W1 — You are getting disabled widower's benefits on your deceased wife's account

9898 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Gross distribution $	OMB No. 1545-0119 2017 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount $		
		2b Taxable amount not determined ☐	Total distribution ☐	Copy A For Internal Revenue Service Center
PAYER'S federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a) $	4 Federal income tax withheld $	File with Form 1096.
RECIPIENT'S name		5 Employee contributions /Designated Roth contributions or insurance premiums $	6 Net unrealized appreciation in employer's securities $	For Privacy Act and Paperwork Reduction Act Notice, see the 2017 General Instructions for Certain Information Returns.
Street address (including apt. no.)		7 Distribution code(s) IRA/ SEP/ SIMPLE ☐	8 Other $ %	
City or town, state or province, country, and ZIP or foreign postal code		9a Your percentage of total distribution %	9b Total employee contributions $	
10 Amount allocable to IRR within 5 years $	11 1st year of desig. Roth contrib.	12 State tax withheld $ $	13 State/Payer's state no.	14 State distribution $ $
Account number (see instructions)		15 Local tax withheld $ $	16 Name of locality	17 Local distribution $ $

Form 1099-R Cat. No. 14436Q www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Instructions for Recipient

Generally, distributions from pensions, annuities, profit-sharing and retirement plans (including section 457 state and local government plans), IRAs, insurance contracts, etc., are reported to recipients on Form 1099-R.

Qualified plans. If your annuity starting date is after 1997, you must use the simplified method to figure your taxable amount if your payer did not show the taxable amount in box 2a. See the instructions for Form 1040, 1040A, or 1040NR.

IRAs. For distributions from a traditional individual retirement arrangement (IRA), simplified employee pension (SEP), or savings incentive match plan for employees (SIMPLE), generally the payer is not required to compute the taxable amount. See the Form 1040, 1040A, or 1040NR instructions to determine the taxable amount. If you are at least age 70½, you must take minimum distributions from your IRA (other than a Roth IRA). If you do not, you are subject to a 50% excise tax on the amount that should have been distributed. See Pub. 590-A and Pub. 590-B for more information on IRAs.

Roth IRAs. For distributions from a Roth IRA, generally the payer is not required to compute the taxable amount. You must compute any taxable amount on Form 8606. An amount shown in box 2a may be taxable earnings on an excess contribution.

Loans treated as distributions. If you borrow money from a qualified plan, section 403(b) plan, or governmental section 457(b) plan, you may have to treat the loan as a distribution and include all or part of the amount borrowed in your income. There are exceptions to this rule. If your loan is taxable, Code L will be shown in box 7. See Pub. 575.

Recipient's taxpayer identification number. For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN). However, the issuer has reported your complete identification number to the IRS.

FATCA filing requirement. If the FATCA filing requirement box is checked, the payer is reporting on this Form 1099 to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. See the Instructions for Form 8938.

Account number. May show an account or other unique number the payer assigned to distinguish your account.

Box 1. Shows the total amount you received this year. The amount may have been a direct rollover, a transfer or conversion to a Roth IRA, a recharacterized IRA contribution; or you may have received it as periodic payments, as nonperiodic payments, or as a total distribution. Report the amount on Form 1040, 1040A, or 1040NR on the line for "IRA distributions" or "Pensions and annuities" (or the line for "Taxable amount"), and on Form 8606, as applicable. However, if this is a lump-sum distribution, see Form 4972. If you have not reached minimum retirement age, report your disability payments on the line for "Wages, salaries, tips, etc." on your tax return. Also report on that line permissible withdrawals from eligible automatic contribution arrangements and corrective distributions of excess deferrals, excess contributions, or excess aggregate contributions except if the distribution is of designated Roth contributions or your after-tax contributions or if you are self-employed.

If a life insurance, annuity, qualified long-term care, or endowment contract was transferred tax free to another trustee or contract issuer, an amount will be shown in this box and Code 6 will be shown in box 7. If a charge or payment was made against the cash value of an annuity contract or the cash surrender value of a life insurance contract for the purchase of qualified long-term care insurance, an amount will be shown in this box and Code W will be shown in box 7. You need not report these amounts on your tax return.

Box 2a. This part of the distribution is generally taxable. If there is no entry in this box, the payer may not have all the facts needed to figure the taxable amount. In that case, the first box in box 2b should be checked. You may want to get one of the free publications from the IRS to help you figure the taxable amount. See *Additional information* on the back of Copy 2. For an IRA distribution, see *IRAs* and *Roth IRAs* on this page. For a direct rollover, other than from a qualified plan to a Roth IRA, zero should be shown, and you must enter zero (-0-) on the "Taxable amount" line of your tax return. If you roll over a

(Continued on the back of Copy C.)

Instructions for Recipient *(Continued)*

distribution (other than a distribution from a designated Roth account) from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan to a Roth IRA, you must include on the "Taxable amount" line of your tax return the amount shown in this box plus the amount in box 6, if any.

If this is a total distribution from a qualified plan and you were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be eligible for the 10-year tax option. See the Form 4972 instructions for more information.

If you are an eligible retired public safety officer who elected to exclude from income distributions from your eligible plan used to pay certain insurance premiums, the amount shown in box 2a has not been reduced by the exclusion amount. See the instructions for Form 1040, 1040A, or 1040NR for more information.

Box 2b. If the first box is checked, the payer was unable to determine the taxable amount, and box 2a should be blank, except for an IRA. It is your responsibility to determine the taxable amount. If the second box is checked, the distribution was a total distribution that closed out your account.

Box 3. If you received a lump-sum distribution from a qualified plan and were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be able to elect to treat this amount as a capital gain on Form 4972 (not on Schedule D (Form 1040)). See the Form 4972 instructions. For a charitable gift annuity, report as a long-term capital gain as explained in the Instructions for Form 8949.

Box 4. Shows federal income tax withheld. Include this amount on your income tax return as tax withheld, and if box 4 shows an amount (other than zero), attach Copy B to your return. Generally, if you will receive payments next year that are not eligible rollover distributions, you can change your withholding or elect not to have income tax withheld by giving the payer Form W-4P.

Box 5. Generally, this shows the employee's investment in the contract (after-tax contributions), if any, recovered tax free this year; the portion that is your basis in a designated Roth account; the part of premiums paid on commercial annuities or insurance contracts recovered tax free; or the nontaxable part of a charitable gift annuity. This box does not show any IRA contributions. If the amount shown is your basis in a designated Roth account, the year you first made contributions to that account may be entered in box 11.

Box 6. If you received a lump-sum distribution from a qualified plan that includes securities of the employer's company, the net unrealized appreciation (NUA) (any increase in value of such securities while in the trust) is taxed only when you sell the securities unless you choose to include it in your gross income this year. See Pub. 575 and Form 4972. If you roll over the distribution to a Roth IRA, see the instructions for *Box 2a.* If the distribution was a direct rollover, the NUA is included in box 2a. If you did not receive a lump-sum distribution, the amount shown is the NUA attributable to employee contributions, which is not taxed until you sell the securities.

Box 7. The following codes identify the distribution you received. For more information on these distributions, see the instructions for your tax return. Also, certain distributions may be subject to an additional 10% tax. See the Instructions for Form 5329.

1—Early distribution, no known exception (in most cases, under age 59½).
2—Early distribution, exception applies (under age 59½).
3—Disability.
4—Death.
5—Prohibited transaction.
6—Section 1035 exchange (a tax-free exchange of life insurance, annuity, qualified long-term care insurance, or endowment contracts).
7—Normal distribution.
8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2017.
9—Cost of current life insurance protection.
A—May be eligible for 10-year tax option (see Form 4972).
B—Designated Roth account distribution.

(Continued on the back of Copy 2.)

Instructions for Recipient *(Continued)*

Note: If Code B is in box 7 and an amount is reported in box 10, see the Instructions for Form 5329.

D—Annuity payments from nonqualified annuities that may be subject to tax under section 1411.

E—Distributions under Employee Plans Compliance Resolution System (EPCRS).

F—Charitable gift annuity.

G—Direct rollover of a distribution to a qualified plan, a section 403(b) plan, a governmental section 457(b) plan, or an IRA.

H—Direct rollover of a designated Roth account distribution to a Roth IRA.

J—Early distribution from a Roth IRA, no known exception (in most cases, under age 59½).

K—Distribution of traditional IRA assets not having a readily available FMV.

L—Loans treated as distributions.

N—Recharacterized IRA contribution made for 2017 and recharacterized in 2017.

P—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2016.

Q—Qualified distribution from a Roth IRA.

R—Recharacterized IRA contribution made for 2016 and recharacterized in 2017.

S—Early distribution from a SIMPLE IRA in first 2 years, no known exception (under age 59½).

T—Roth IRA distribution, exception applies.

U—Dividend distribution from ESOP under section 404(k).

Note: This distribution is not eligible for rollover.

W—Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.

If the IRA/SEP/SIMPLE box is checked, you have received a traditional IRA, SEP, or SIMPLE distribution.

Box 8. If you received an annuity contract as part of a distribution, the value of the contract is shown. It is not taxable when you receive it and should not be included in boxes 1 and 2a. When you receive periodic payments from the annuity contract, they are taxable at that time. If the distribution is made to more than one person, the percentage of the annuity contract distributed to you is also shown. You will need this information if you use the 10-year tax option (Form 4972). If charges were made for qualified long-term care insurance contracts under combined arrangements, the amount of the reduction in the investment (but not below zero) in the annuity or life insurance contract is reported here.

Box 9a. If a total distribution was made to more than one person, the percentage you received is shown.

Box 9b. For a life annuity from a qualified plan or from a section 403(b) plan (with after-tax contributions), an amount may be shown for the employee's total investment in the contract. It is used to compute the taxable part of the distribution. See Pub. 575.

Box 10. If an amount is reported in this box, see the Instructions for Form 5329 and Pub. 575.

Box 11. The 1st year you made a contribution to the designated Roth account reported on this form is shown in this box.

Boxes 12–17. If state or local income tax was withheld from the distribution, boxes 14 and 17 may show the part of the distribution subject to state and/or local tax.

Future developments. For the latest information about developments related to Form 1099-R and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form1099r*.

Additional information. You may want to see:

Form W-4P	**Pub. 575**
Form 4972	**Pub. 590-A**
Form 5329	**Pub. 590-B**
Form 8606	**Pub. 721**
Pub. 560	**Pub. 939**
Pub. 571	**Pub. 969**

Here is the link to the 4506-T: http://www.irs.gov/pub/irs-pdf/f4506t.pdf.

Form **4506-T**
(Rev. September 2015)
Department of the Treasury
Internal Revenue Service

Request for Transcript of Tax Return

▶ **Do not sign this form unless all applicable lines have been completed.**
▶ **Request may be rejected if the form is incomplete or illegible.**
▶ **For more information about Form 4506-T, visit *www.irs.gov/form4506t*.**

OMB No. 1545-1872

Tip. Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Get a Tax Transcript..." under "Tools" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return.** There is a fee to get a copy of your return.

1a Name shown on tax return. If a joint return, enter the name shown first.

1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)

2a If a joint return, enter spouse's name shown on tax return.

2b Second social security number or individual taxpayer identification number if joint tax return

3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)

4 Previous address shown on the last return filed if different from line 3 (see instructions)

5 If the transcript or tax information is to be mailed to a third party (such as a mort
and telephone number.

Your address goes here.

Caution: If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party's authority to disclose your transcript information, you can specify this limitation in your written agreement with the third

6 **Transcript requested.** Enter the tax form number here (1040, 106 tax form number per request. ▶

"1040" goes here. Check appropriate box/boxes

a **Return Transcript,** which includes most of the line items of a t changes made to the account after the return is processed. Transcr nes, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days ☐

b **Account Transcript,** which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 10 business days ☐

c **Record of Account,** which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. Most requests will be processed within 10 business days ☐

7 **Verification of Nonfiling,** which is proof from the IRS that you **did not** file a return for the year. Current year requests are only available after June 15th. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days ☐

8 **Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript.** The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2011, filed in 2012, will likely not be available from the IRS until 2013. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 10 business days ☐

Caution: If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

9 **Year or period requested.** Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately. / / / / / / / /

Enter tax years here – up to 4 years

Caution: Do not sign this form unless all applicable lines have been completed.

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown tain the tax information r lies to a joint return, at least one spouse r more sh matters partner, executor, re ayer, I n behalf of the taxpayer. **Note** must be re

Taxpayer must sign

☐ **Signatory attest he has read the attestation clause and upon so reading declares that he/she has the authority n the Form 4506-T.** See instructions.

Phone number of taxpayer on line 1a or 2a

Sign Here

▶ **Signature** (see instructions) Date

▶ **Title** (If line 1a above is a corporation, partnership, estate, or trust)

▶ **Spouse's signature** Date

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 37667N Form **4506-T** (Rev. 9-2015)

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about Form 4506-T and its instructions, go to *www.irs.gov/form4506t*. Information about any recent developments affecting Form 4506-T (such as legislation enacted after we released it) will be posted on that page.

General Instructions

Caution: Do not sign this form unless all applicable lines have been completed.

Purpose of form. Use Form 4506-T to request tax return information. You can also designate (on line 5) a third party to receive the information. Taxpayers using a tax year beginning in one calendar year and ending in the following year (fiscal tax year) must file Form 4506-T to request a return transcript.

Note: If you are unsure of which type of transcript you need, request the Record of Account, as it provides the most detailed information.

Tip. Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

Automated transcript request. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Get a Tax Transcript..." under "Tools" or call 1-800-908-9946.

Where to file. Mail or fax Form 4506-T to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

If you are requesting more than one transcript or other product and the chart below shows two different addresses, send your request to the address based on the address of your most recent return.

Chart for individual transcripts (Form 1040 series and Form W-2 and Form 1099)

If you filed an individual return and lived in:	Mail or fax to:
Alabama, Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team Stop 6716 AUSC Austin, TX 73301 512-460-2272
Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Internal Revenue Service RAIVS Team Stop 37106 Fresno, CA 93888 559-456-7227
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Internal Revenue Service RAIVS Team Stop 6705 P-6 Kansas City, MO 64999 816-292-6102

Chart for all other transcripts

If you lived in or your business was in:	Mail or fax to:
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409 801-620-6922
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Internal Revenue Service RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250 859-669-3592

Line 1b. Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) or your individual taxpayer identification number (ITIN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Line 3. Enter your current address. If you use a P.O. box, include it on this line.

Line 4. Enter the address shown on the last return filed if different from the address entered on line 3.

Note: If the addresses on lines 3 and 4 are different and you have not changed your address with the IRS, file Form 8822, Change of Address. For a business address, file Form 8822-B, Change of Address or Responsible Party — Business.

Line 6. Enter only one tax form number per request.

Signature and date. Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506-T within 120 days of the date signed by the taxpayer or it will be rejected. Ensure that all applicable lines are completed before signing.

CAUTION *You must check the box in the signature area to acknowledge you have the authority to sign and request the information. The form will not be processed and returned to you if the box is unchecked.*

Individuals. Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer. A bona fide shareholder of record owning 1 percent or more of the outstanding stock of the corporation may submit a Form 4506-T but must provide documentation to support the requester's right to receive the information.

Partnerships. Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Note: If you are Heir at law, Next of kin, or Beneficiary you must be able to establish a material interest in the estate or trust.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the letters testamentary authorizing an individual to act for an estate.

Signature by a representative. A representative can sign Form 4506-T for a taxpayer only if the taxpayer has specifically delegated this authority to the representative on Form 2848, line 5. The representative must attach Form 2848 showing the delegation to Form 4506-T.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. You are not required to request any transcript; if you do request a transcript, sections 6103 and 6109 and their regulations require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form,** 10 min.; **Preparing the form,** 12 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Do not send the form to this address. Instead, see *Where to file* on this page.

Thursday, July 17, 2014
For Immediate Release

LaVenia J. LaVelle, Press Officer
press.office@ssa.gov

News Release

SOCIAL SECURITY

Social Security Extends Access to Benefit Verification
Multiple Options Available

Today, the Social Security Administration announced that local Social Security offices would continue to provide benefit verification letters until further notice. Providing services when and where the public needs them remains central to Social Security's efforts, while continuing to encourage federal, state, and local agencies to take advantage of Social Security's data exchange programs that can serve customers more efficiently and effectively.

"We appreciate the feedback from members of Congress, our community stakeholders and agency partners. We want to ensure that we meet the needs of our customers in a way that is convenient for them and also cost-effective and secure for all," Acting Commissioner Carolyn W. Colvin stated. "I believe that government agencies can work closer together to assist our mutual customers."

Over the last few years, Social Security has invested in technology that allows most government agencies and many other organizations to verify their clients' Social Security benefits electronically without requiring them to visit a local Social Security office.

"We recognize that some members of the public may require in-person assistance and we will have a presence in local communities," said Acting Commissioner Colvin. "We also want to ensure that the public is aware that they can access many of our services without making a trip to a local field office."

Members of the public with Internet access can obtain benefit verification information by creating a *my Social Security* account at www.socialsecurity.gov/myaccount.

# # #

The following information is from the Social Security Administration website at https://faq.ssa.gov/link/portal/34011/34019/Article/3705/How-can-I-get-a-benefit-verification-letter.

How can I get a benefit verification letter?

If you need proof you get Social Security benefits, Supplemental Security (SSI) Income or Medicare, you can request a benefit verification letter online by using your *my* Social Security account. This letter is sometimes called a "budget letter," a "benefits letter," a "proof of income letter," or a "proof of award letter."

You can also request proof that you have never received Social Security benefits or Supplemental Security Income or proof that you have applied for benefits.

To set up or use your account to get a benefit verification letter, go to *Sign In Or Create An Account*.

You cannot request a benefit verification letter online for another person, such as a spouse or child.

If you can't or don't want to use your online account, or you need a letter for someone other than yourself, you can call us at **1-800-772-1213 (**TTY **1-800-325-0778)**, Monday through Friday from 7 a.m. to 7 p.m.

See Definition: *my* Social Security-Benefit Verification Letter for more information.

Definition: my Social Security Benefit Verification Letter

Benefit Verification Letter

If you need proof that you are receiving Social Security benefits, Supplemental Security Income (SSI), and/or Medicare, **or** that you are not getting benefits, you can request a benefit verification letter online. This letter is sometimes called a "budget letter," a "benefits letter," a "proof of income letter," or a "proof of award letter."

What is a benefit verification letter? It is an official letter from Social Security that you can use as proof of your:

- income when you apply for a loan or mortgage;
- income for assisted housing or other state or local benefits;
- current Medicare health insurance coverage;
- retirement status;
- disability; and/or
- age.

You can select the information you want included in, or left out of, your online benefit verification letter.

Note: If you applied for benefits but have not received an answer yet, you can request a benefit verification letter that shows your claim is still pending.

Section IX

Frequently Asked Questions

Index to FAQ's

Age and Disability Requirements **162**

Ownership/Residency/Exemption Percent **162**

Combined Disposable Income **167**

Change in Status, Pro-ration, Segregation, and Mobile Home Advance Tax **175**

Implementation of Legislative Changes **176**

Documentation **179**

Typical Residential Parcel **179**

Age and Disability Requirements

Q. What is the difference between "disabled" and "disabled veteran" for this program?

A. To meet the age/disability requirement as a disabled veteran, the applicant must be a veteran who is entitled to and receiving VA disability compensation at a total disability rating for a service-connected disability. A veteran who meets this requirement is not limited by the "substantial gainful activity" ceiling under the Social Security definition of disability.

Acceptable documentation is a written acknowledgement or decision by the Veterans' Administration.

Ownership/Residency/Exemption Percent

Q. A senior has had an exemption since 2001. On 2/25/13 she transferred ownership to another person via notarized QCD. This other person became her Power of Attorney on that same day. She did not have the deed recorded until 3/18/2015. There is no provision on the deed for a Life Estate or similar provision.

A. The date of execution of the instrument of transfer is the date the deed was signed and notarized and this is the date to be used for purposes of pro-rating taxes. So, even though the deed was not recorded until 2015, the transfer took place when the QCD was signed and notarized (on 2/25/2013) and the exemption should have been removed at that time because the senior no longer had an ownership interest in the property. (RCW 84.60.020 and RCW 84.40.380)

Q. Husband, wife, and sister live in the house together and all contribute financially. The home is owned by the wife and sister only. They are all on Social Security and Supplemental Social Security. The husband is the only one over the age of 61.

A. Since the husband has no ownership interest in the property, he does not meet the ownership requirement as an applicant. One of the sisters must submit the application and provide evidence of disability in order to meet the age/disability requirement. Because all three live in the home **and** have an ownership interest, include the incomes of all three for the combined disposable income calculation.

Q. A husband and wife both meet the age requirement. The wife completes and submits the application and she meets the residency requirement. The husband lived and worked out of state for more than 6 months. Will they qualify?

A. She can apply and qualify based on her age and residency but will still need to include his income.

Q. Ownership – Joint Tenants and Tenants in Common - A deed shows four owners, no Life Estate. The only one of the Joint Tenants/Tenants in Common who lives in the home is a senior who applied for exemption. Can the senior receive a 100 percent exemption?

A. If otherwise qualified, the senior is eligible to receive the exemption based on his or her percentage share of ownership. This senior would only be entitled to receive an exemption on his/her 25 percent ownership interest.

Q. Ownership – Joint Tenants with Right of Survivorship (JTWROS) - A deed shows four owners, JTWROS, no Life Estate. The only one of the JTWROS who lives in the home is a senior who applied for exemption. Can the senior receive a 100 percent exemption?

A. A JTWROS is a form of ownership in which the owners hold an undivided interest in the entire property, and upon the death of one of the joint tenants, the surviving joint tenant(s) continues to hold the property in fee (or in JTWROS – i.e., the heirs of the deceased joint tenant do not have inheritance rights). (See RCW 64.28.010). Since there is an undivided interest in the property (100%), the applicant would receive the full 100 percent exemption.

Q. Does a taxpayer qualify for the exemption program if their home is part of a Limited Liability Corporation (LLC)?

A. See RCW 84.36.381(2). The applicant must be a person and that person must own and occupy the residence for which the exemption is claimed. If the home is owned by a partnership or corporation, the individual applying for exemption does not have the ownership interest required for this program.

The exception is in the case of an association, partnership, or corporate ownership of cooperative housing. If a person owned a 10 percent share ownership in a Limited Liability Corporation and that corporation owns "cooperative housing" with 10 living units, one of which the person occupies, then that person could claim that they own a share representing the unit or portion of the structure in which he or she resides.

This a different situation because the statute specifically allows a share ownership in cooperative housing. See RCW 84.36.381(2).

Q. What percentage of exemption should an applicant receive when there are co-owners and the ownership type is not JTWROS?

A. A "co-owner" is someone who has an ownership interest in the property. A "co-tenant" is someone who has an ownership interest in the property and resides at the property.

- If both parties live in the house and both have an ownership interest, exemption is granted on the entire parcel. Include 100 percent of everyone's disposable income.

- If more than one person has an ownership interest but only the applicant lives in the residence, the exemption is allowed on just the applicant's percentage of ownership. Include only the applicant's disposable income.

- When a person with no ownership interest is living in the residence with the applicant, the exemption is allowed on the entire residence. Include the applicant's income **and** the portion of the other person's income that is contributed to the running of the household (rent, utilities, groceries, etc.).

Q. Husband and wife purchased land together. The wife owns a mobile home as her separate property per the Division of Community Property. Neither spouse meets the age requirement. The husband meets the disability requirement. Can this couple qualify for the exemption?

A. RCW 84.36.381 requires that the residence must be both owned and occupied by the person claiming the exemption. Neither spouse meets the eligibility requirements. The husband has no ownership interest in the residence and the wife does not meet the age or disability requirement.

Q. A parcel was acquired via verbal, unrecorded real estate contract between a father and daughter in 2005. It was followed up by a Personal Representative's Deed in 2008, per probate, transferring the property to her as her separate estate. Her husband is the qualified applicant for the exemption program. Will this couple qualify for the exemption?

A. The person claiming the exemption must have owned the residence at the time of filing (RCW 84.36.381(2)) and, in order to be valid, a transfer of real estate must be written, signed, and acknowledged (RCW 64.04.020). An exemption can be granted on an unrecorded contract, however, that contract must still be written, signed, and acknowledged, and a copy must be retained in the assessor's files. In this situation, it appears that the father's intent was for the daughter to inherit the property as her separate estate. The daughter is the owner as of the father's date of death, however, since the property was passed to her as her separate estate, the husband would not be a "community property" owner in this case. He still has no ownership interest in the property until that interest is granted to him through deed by his spouse. This couple does not qualify.

Q. How can I tell if a trust meets the ownership requirements for the exemption or deferral programs?

A. See the Ownership and Residency section in this manual.

Q. A taxpayer is trying is trying to refinance her home and has been advised that her income is too low to meet the refinance requirements. The perspective lender suggested

that she add her son's name to the parcel so she can include his income. The home is a duplex and, currently, the mom is receiving an exemption on her dwelling unit but not the other half. The son is disabled and lives in the other unit.

If the son's name is added, how should the exemption be treated? Could he apply for an exemption on his unit? If the parcel is in both names, should both incomes be included and an exemption be granted on the entire property or would it be better to use an administrative seg and create two parcels, giving each parcel an exemption?

A. Although you could probably justify going either way, the Legislative intent might be best served by using an administrative segregation. This way, each taxpayer receives the full exemption to which he/she is entitled. Basically, in this case, you could treat it like a "cooperative housing unit" and give each taxpayer a full exemption on their ownership share, which represents the individual dwelling unit for each of them. Mom would receive a full exemption on her half (her dwelling unit) and the son would receive a full exemption on his half (his dwelling unit). Each would include only his/her income since they are co-owners but not co-tenants.

Q. Can a person get an exemption on their entire house if they rent out a room?

A. This exemption is a personal exemption and is not intended to provide relief from property tax for property used in a trade or business. There is a "use" requirement for this exemption and the property to be exempted must be in use as a primary residence for the personal use of the applicant.

For purposes of the Property Tax Exemption for Senior Citizens and Disabled Persons, we rely on the definition of "family dwelling unit". RCW 84.36.381(1) says "the property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of the time of filing". RCW 84.36.383(1) and WAC 458-16A-100(29) define a residence as a "single family dwelling unit" and WAC 458-16A-100(17) defines "family dwelling unit" as:

> "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 non-transient persons living as <u>a single noncommercial housekeeping unit</u>. <u>The term does not include a boarding or rooming house</u>.
>
> Further, WAC 458-16-080(2)(b) defines a "dwelling" as a structure maintained and <u>used as a residential dwelling that is designed exclusively for occupancy by one family</u>.

It appears to be the intent of the legislature, given this language, that only that portion of a residence actually used as a primary residence by the qualifying applicant should be eligible for the exemption. You could allow an exemption on any portion set aside for the personal use of the applicant.

The other thing to look at in these situations is whether or not there is a deduction for expenses for business use of the home on Line 30 of the Schedule C. If there is, the square footage of the home that is used "regularly and exclusively" for business should be provided either on Line 30 or on Form 8829.

Q. Can a person request an exemption on a residence that is not occupied as a primary residence at the time the application is actually submitted?

A. Following is an excerpt from a September 2006 memo to assessors**.**

Recently, we were asked whether a person may apply for exemption on a property for past years if the applicant met the qualifications for those years even though the property is no longer the applicant's primary residence.

It is our opinion that "at the time of filing" means "when the taxpayer would have needed to timely file," rather than the date the application was actually signed and submitted. Further, it is our opinion that there is nothing in law or rule that would prevent granting the application for exemption for the applicant's prior principal residence as long as the applicant met the qualifications for each of the application years.

RCW 84.36.381(2) states in pertinent part:

> *The person claiming the exemption must have owned, at the time of filing, in fee, as a life estate, or by contract purchase, the residence on which the property taxes have been imposed.... For purposes of this subsection...any lease for life shall be deemed a life estate;*

The intent of the Legislature in extending the opportunity to apply for refund was to ensure that an otherwise eligible applicant was not prevented from benefiting from this program by reason of mistake, inadvertence, or lack of knowledge. This intent is confirmed and supported in Attorney General Opinion Number 21, issued October 28, 1969, which says:

> *A person exempted from paying the first $50 of a given year's real property tax under RCW 84.36.128, who nevertheless pays this amount by reason of mistake, inadvertence or lack of knowledge, need not have claimed his exemption between February 15 and April 30 in order to set the stage for a valid refund claim under § 1 (7) of chapter 224, Laws of 1969, Ex. Sess.; instead, we would deem it to be sufficient compliance with the statute for a taxpayer to prove his eligibility for the exemption (as of the time his payment was made) when he files his application for a refund.*

According to law, applications must be filed by the applicant or the applicant's agent. An application made by the heir of the claimant cannot be accepted. (RCW 84.36.381)

Attorney General Opinion Number 31, issued October 6, 1971, says:

> *The tax exemption "for certain elderly or retired persons is a personal exemption which does not follow the property to the benefit of the claimant's heirs or grantees; therefore, when a person who is qualified for this tax exemption timely files his claim for it but thereafter dies or sells the property upon which he resides prior to the time the taxes to which the exemption applies become payable, his heirs or other new owners of the subject property do not receive the benefit of the exemption."*

In our opinion, applicants may apply for back years for which they would have qualified based on ownership, occupancy, age, and income whether or not they still meet all of the requirements. The benefit is to the taxpayer and not to the property. If the taxes have been paid, the applicant may apply for exemption and refund for a maximum of three years (plus current year). If the taxes are delinquent, the applicant may apply for exemption for any prior years in which the qualifications were met.

Combined Disposable Income

Q. Are premiums paid for Medicare Part D (the new drug benefit) allowable deductions for determining combined disposable income?

A. Yes, these premiums are allowable deductions. The statute, RCW 84.36.383(4)(c), says that "health care insurance premiums for Medicare under Title 18 of the SSA" should be deducted when calculating combined disposable income. Health care insurance premiums under Title 18 of the SSA include:

Part A—Hospital Insurance Benefits for the Aged and Disabled,
Part B—Supplementary Medical Insurance Benefits for the Aged and Disabled,
Part C—Medicare + Choice Program – also called MedicareAdvantage, and
Part D—Voluntary Prescription Drug Benefit Program

Q. Is there an allowable deduction for hearing aids and batteries, HoverRounds, memory foam mattresses, adult diapers, and other similar items?

A. See RCW 84.36.383(4) and WAC 458-16A-100(18).

Hearing aids and batteries do not fall under the "prescription drug" category and are generally not included in "special needs furniture and equipment" that would be provided by an in-home service program.

Sometimes, you will need to make judgment calls regarding the items listed.

For instance, if someone is receiving Hospice care and has developed bedsores and Hospice has suggested that a memory foam mattress would help the situation, you may be able to allow the cost.

Hover Rounds are similar. If someone is not ambulatory and is in a wheelchair, or cannot walk inside the home without a walker or cane, the cost for a Hover Round may be an allowable deduction. On the other hand, if the person gets around just fine and purchased a Hover Round to be able to go to the mall or go to the zoo with grandchildren, that may not be an allowable deduction. You might need to ask some questions on this one and you might need to find out whether at least part of the cost was covered by insurance and/or Medicare.

Q. With the ease of new Tax software available to the public, how can we verify that the forms that are brought into our office for income verification are legitimate and have actually been filed with the IRS?

A. The only real assurance would be to request a transcript of the applicant's tax return directly from IRS. You can also request an actual copy of the return, but each copy request is $30.00. You can request a transcript, free of charge, by submitting Form 4506-T. This form must be completed by both you and the taxpayer. You should complete Lines 5 through 9 and the taxpayer should complete Lines 1 through 4. The taxpayer must sign the form to give permission to IRS to release the transcript. Transcripts are available for the current year and three prior years and most requests are processed within 30 days. A sample form is included at the end of the Disposable Income section of your manual you can find the most current form on the IRS website at http://www.irs.gov/app/picklist/list/formsPublications.html.

Q. What is an annuity?

A. See page 125 in this manual and the definition in rule - WAC 458-16A-100(2).

Q. Should money received for care of dependent children be included in disposable income?

A. Money received for the care and support of dependent children should not be included in disposable income.

Q. An applicant has won $272,000 in a lawsuit. Does it count as disposable income for the senior citizen exemption program?

A. According to IRS rules, in order to determine whether or not a court award must be included in adjusted gross income, you must consider the item that the settlement replaces.

If the person files a Federal tax return, certain types of settlements would be included as "Other Income" in the taxpayer's adjusted gross income. Since our starting point according to RCW 84.36.383(5) is adjusted gross income, those types of settlements would also be included in the disposable income calculation.

If the settlement is "compensatory damages for personal physical injury or sickness", then the settlement would not be included in adjusted gross income and should not be included in disposable income. The court documents should be reviewed to confirm the type of settlement (i.e. what the settlement replaces).

IRS Publication 525 has more information on this. You can find the publication at http://www.irs.gov/pub/irs-pdf/p525.pdf. The section is called "Court Awards and Damages".

Q. If a claimant records a deed retaining a life estate, would we count the income of the "co-owner" if they live in the home?

A. Basically, when a life estate is reserved, the "co-owner" has "postponed" their ownership rights until after the life estate interest has been extinguished. The RCW says that combined disposable income includes the disposable income of the applicant, the applicant's spouse or domestic partner, and any co-tenants. A co-tenant is someone who lives with the applicant and has an ownership interest. In this case, there is no current ownership interest because that interest has been postponed until the expiration of the life estate interest. Therefore, we would only count the income of the applicant and the applicant's spouse or domestic partner. However, you would also include any monies contributed by other household members towards the running of the household because under IRS laws and rules that is considered "rent".

Q. How does a pre-nuptial agreement affect the calculation of combined disposable income?

A. Most pre-nuptial agreements do not affect the calculation of combined disposable income at all. However, we do have one example on file where the income calculation was affected. In this particular case, the pre-nuptial agreement specified that money deposited into each spouse's account was that person's alone. Also, this couple maintained separate homes. In our staff attorney's opinion, the pre-nuptial agreement can and does override state community property laws. In this case, finances were separate, and the two individuals maintained separate homes. The legal opinion was that, in this particular case, the two were not co-tenants and, even though married, were living "separate and apart". The applicant was not required to include the spouse's income. The legal opinion cautioned that this was a unique case and each case must be considered individually.

Q. What is a Section 1035 Exchange and should these amounts be included in the calculation of disposable income?

A. A Section 1035 Exchange is similar to a rollover. It is a tax-free exchange because the ownership and basis do not change and the owner does not have access to the actual cash used in the exchange. "Exchange" is the key word. Treat this transaction similar to a rollover and do not include the non-taxable portion in disposable income. This includes exchanges of portions of annuity contracts.

Rev. Rul. 2003-76 - Exchange of a portion of annuity contract. An exchange of a portion of an annuity contract into a new annuity contract is treated as a tax-free exchange under section 1035 of the Code. Investment in the contract and basis are allocated according to cash value immediately prior to the exchange using the rules of sections 72 and 1031.

Q. How do we determine capital gain on the sale of a residence when the distributions of the sale are invested in the construction of a new home?

A. The distribution of the proceeds from a sale does not affect the actual capital gain. The capital gain is the difference between the sale price (less expenses of sale) and the basis of the old home (original purchase cost plus improvements). Only the portion of the gain that is re-invested in a replacement primary residence prior to the sale or within the same calendar year as the sale can be excluded from the combined disposable income calculation.

Q. What information should be requested to substantiate a claim of zero income?

A. WAC 458-16A-135(5)(e)(vi)(G) says: "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.)." See the sample letter and questionnaire in the Disposable Income Section of the manual.

Q. How should we calculate combined disposable income when the applicant did not file a Federal income tax return?

A. When the claimant does not present federal income tax returns, the assessor must determine what constitutes gross income and adjusted gross income for the non-filer and obtain copies of income documents to determine that person's gross and adjusted gross income. WAC 458-16A-110 and WAC 458-16A-115 provide assistance in calculating gross income and adjusted gross income. **Caution: You should always verify that the adjustments/deductions listed in the rules are still valid for the applicable income year (some of the adjustments/deductions have a "sunset" date) and that new deductions have not been added. Our rules may not include IRS rule current year updates. The easiest way to check is to look at the front of a Form 1040 to see what adjustments/deductions IRS allows for the specific income tax year.**

Internal Revenue Code section 61 defines "gross income," generally, as all income from whatever source derived. 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;

(c) Certain amounts received for illness or injury – see WAC 458-16A-110(3)(c);

(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;

(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 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;

(h) Qualified scholarships and fellowship grants provided for certain educational expenses (e.g., tuition and books);

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

(j) Excluded military pay and benefits;

(k) Amounts received under insurance contracts for certain living expenses;

(l) Certain cost-sharing payments made for conservation purposes on land owned by the claimant;

(m) Child support payments;

(n) Qualified foster care payments made from the government or a qualified nonprofit to a foster parent or guardian;

(o) Income from United States savings bonds used to pay higher education tuition and fees;

(p) Distributions from a qualified state tuition program or a Coverdell Education Savings Account used to pay education expenses.

Internal Revenue Code section 62 defines "adjusted gross income" as gross income minus the following deductions:

(a) Trade and business deductions;

(b) 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;

(c) Losses from sale or exchange of property;

(d) Deductions attributable to rents and royalties;

(e) Certain deductions of life tenants and income beneficiaries of property;

(f) Pension, profit-sharing, annuity, and annuity plans of self-employed individuals;

(g) Self-employed health insurance deduction;

(h) One-half of self-employment tax;

(i) Retirement savings;

(j) Penalties on early withdrawal of savings;

(k) Alimony;

(l) Reforestation costs;

(m) Required repayment of supplemental unemployment compensation;

(n) Jury duty pay given to employer;

(o) Clean-fuel vehicles and certain refueling property;

(p) Unreimbursed moving expenses;

(q) Archer MSAs (medical savings accounts);
(r) Interest on student loans;
(s) Higher education expenses;
(t) Domestic production activities deduction.

Q. On a Defense Finance and Accounting Service (DFAS) "Retiree Account Statement" that shows "Gross Pay" and "VA Waiver", which amount should be included when calculating disposable income?

A. Use the "Gross Pay" amount. The "VA Waiver" shows the offset, or reduction, to the retirement benefits due to monies received directly from VA as VA disability benefits.

Q. On a 1099-R form, do we count the gross distribution or the taxable amount that would be part of adjusted gross income? How can you tell whether it is an IRA distribution or a regular pension? Are the 1099's different?

A. The RCW says we must add pensions and annuities to the extent that they are not already included in adjusted gross income. See RCW 84.36.383(5). That tells us that it was the intent of the legislature that we include pension income whether or not it's taxable so we should include the gross distribution. The non-taxable portion is generally the portion that was contributed by the employee.

There is an exception for an IRA distribution. IRA accounts have been determined to be similar to CD accounts and savings accounts so you would only include the taxable portion of the distribution, which should already be included in adjusted gross income.

A 1099-R can be used for pensions, annuities, retirement, profit-sharing plans, IRA's, and insurance contracts, so the best way to find out what type of source it is, is to ask the taxpayer.

For IRA's though, if your taxpayer files an income tax return, IRA distributions will be on Line 15 of the 1040 rather than on Line 16. **On the 1099, next to the Distribution Code in Box 7, there is a little square that should have an "X" if it's a Traditional, SEP, or Simple IRA.** Also distribution codes "J", "Q", and "T" indicate a distribution from a Roth IRA.

Q. What should I look for on IRS Form 4797?

A. Form 4797 is a schedule used to calculate the capital gain on property that has been sold. It's similar to a Schedule D - which is called the capital gains form. Ordinary gains from the 4797 (Part II) go directly to the front of the 1040 form - Line 14. Long-term gains from Part I – Line 9 are brought forward to a Schedule D. If the amount is a loss, the loss would be reported in the taxpayer's itemized deductions and you will not see it on the face of the 1040 - nor would you have to worry about adding it back to AGI since it was not included in or deducted from AGI.

Part I of Form 4797 is used to calculate the gain or loss on disposals of property used in a trade or business. IRS requires recapture of all or a portion of any previous depreciation when you dispose of a business asset. The depreciation shown on this form, both in Column E on the front page and in Part III on page 2, is only for the purpose of calculating how much of the depreciation has to be recaptured according to IRS rules. This recapture amount affects the basis of the asset that is used to calculate the gain.

All of that is a very long way of saying that the depreciation amounts reported on this form do not need to be added when we calculate combined disposable income. At some point in time, these amounts were deductions - probably shown on a Schedule C or E or F - and at that time, we did add them because they were being used as a deduction. Now, they are only being used to calculate the capital gain or loss on disposal of the asset.

Treat this form similar to a Schedule D. Make sure that losses were not used to offset gains.

Q. When the Trust owns everything including the rentals and investments and the income is through the trust account and not reported on the personal account how are we to know these things? If an individual has set up a trust for their assets, does the trust have to file a 1040, or does the income generated/distributed from the trust appear on the individual 1040? Is there any indication on the 1040 that there are additional assets in a trust?

A. In general, the taxpayer has a choice. He/she can report the trust income on the individual tax return or file Form 1041 for a trust. Form 1041 includes a Schedule K-1, similar to a partnership return, to report the share of distribution to each interested party. Income or loss from trusts and partnerships (Schedule K-1) should be reported on Schedule E of the individual taxpayer's Form 1040 (Parts II and III on page 2). Trust assets are not reported on the Form 1041 for the trust, the individual K-1's, or the Form 1040 for the individual taxpayer. Trust assets are not "income" and should not be included in disposable income.

Q. What is FTC (foreign tax credit)?

A. The foreign tax credit is intended to reduce the double tax burden that would otherwise arise when foreign source income is taxed by both the United States and the foreign country from which the income is derived. This credit can be reported on the 1040 (pg 2, line 47) or as an itemized deduction on Schedule A (line 8). For us, this is an indicator that the applicant may have additional foreign income that should be included in combined disposable income. In order to take the credit, the taxable portion of the income will be already included in AGI, but there could be a non-taxable portion that needs to be added. If you see a "foreign tax credit", you should ask the taxpayer if all of the foreign income received was taxable and reported on the Form 1040.

Q. How should foreign income amounts be converted to U.S. dollars?

A. There are tables on the IRS website that would probably be best to use. IRS publishes "Yearly average currency exchange rates" so you don't have to do your own spreadsheet or rely on just one month's rate. Here is the link.

> http://www.irs.gov/Individuals/International-Taxpayers/Yearly-Average-Currency-Exchange-Rates

Q. Should housing allowance for clergy (or preacher, pastor, minister, or parson) be included in disposable income?

A. The answer depends on whether the clergy person is actively working as a clergy or is receiving the housing allowance as part of his/her retirement.

Working clergy: The IRS "Housing" section in Publication 17 says that special rules apply to clergy. That section applies when the pay is for services that are currently being rendered – active working clergy who are receiving a housing allowance as part of their salaries. Under this rule, the rental value of a home (including utilities) or a designated housing allowance provided as part of the salary is not included in adjusted gross income. RCW 84.36.383(5) specifies the types of income we must add to adjusted gross income to arrive at disposable income and that list does not include the housing allowance for active working clergy. Therefore, you should not include it in the income calculation.

Retired clergy: Per the IRS rules, pension and retirement pay for a member of the clergy is usually treated the same as any other pension or annuity. It must be reported on lines 16a and 16b of Form 1040. Pension disbursements for housing (rental allowance and utilities allowance) are non-taxable for IRS purposes. These disbursements appear to be the excludable rental and utility allowance and should be reported as non-taxable pension income on line 16a but should not be included on line 16b. However, since RCW 84.36.383(5) requires that pensions and annuities be included in disposable income, whether or not they are taxable for IRS purposes, you would still include these disbursements in the disposable income calculation for a retired pastor.

Q. Should debt cancellation be included in disposable income – i.e. cancellation of student loans and other debts?

A. Typically, debt cancellation - including debts for student loans that have been forgiven – is reported on Line 21 of Form 1040 as "other income". Adjusted gross income as determined under IRS rules is our starting point when determining "disposable income". Therefore, if the cancelled debt would be included in adjusted gross income under IRS rules, we must include it in disposable income.

Change in Status, Pro-ration, Segregation, and Mobile Home Advance Tax

Q. An applicant who has not filed for six years comes into the office to reapply. His income has jumped dramatically over the six-year period. Do you require that applicant to bring past year information to the office to prove that they qualified at their previous level for those years?

A. RCW 84.36.385(5) says that if the applicant received an exemption in prior years based on erroneous information, the taxes are to be collected subject to penalties as provided in RCW 84.40.130 for a period of up to five years. Applicants are also required to submit a Change in Status form when there is a change that may affect the exemption. The applicant should be required to provide documentation proving that the requirements were met in the interim years.

Q. How should advance tax on a mobile home be treated when there is a senior/disabled exemption and the claimant is moving the mobile home to another county?

A. In this case, in order to preserve the senior's entitlement to the exemption, the exemption should not be removed upon collection of the advance tax. By doing it this way, the senior can transfer the exemption to the new county for the following year, which is when the mobile will be picked up as new construction.

If a mobile home is sold, then the exemption should be prorated. The claimant's benefit resulting from the tax exemption ends upon the date of sale. If the exemption is not prorated from that point the exemption benefit for the remainder of the year would, in effect, be "transferred" to the new owner who may or may not be a qualified applicant.

Q. If a senior citizen or disabled person, who is otherwise eligible for the exemption, owns a one-acre parcel of land on which the residence is located, and subdivides the one-acre parcel into three parcels of land, with the residence on one of the three parcels, is the entire acre still eligible for the reduction in taxes for purposes of the program?

A. The Senior Citizen and Disabled Person Exemption should be applied only to the residence and the single parcel of land on which the residence is located, up to one acre in size, or up to five acres when the larger parcel size is required by local land use regulations.

> *WAC 458-16A-150(3)(g)* ***Loss of exemption on part of the property.*** *If the change in status removes a portion of the property from the exemption, property taxes in their full amount on that portion of the property that is no longer exempt must be recalculated based upon 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 one-acre lot into two parcels. The parcel that does not have the principal residence built upon it no longer qualifies for the exemption. The property taxes are recalculated to*

> *the full assessed amount 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.*

The statutory definition of residence is found in RCW 84.36.383(1), which states:

> *The term "residence" means a single-family dwelling unit whether such unit be separate or part of a multiunit dwelling, including the land on which such dwelling stands not to exceed one acre, except that a residence includes any additional property up to a total of five acres that comprises the residential parcel if this larger parcel size is required under land use regulations.*

Because exemptions must be narrowly construed, we interpret this definition as an intentional limitation of the amount of property that may be exempted. Not all of the land owned by a qualified applicant may be exempted, only the land on which the dwelling stands and no more than one acre, or up to five acres when the larger parcel size is required under land use regulations. The intention appears to be that only the house and parcel of land on which the house is situated is included in the exemption, even when the owner also owns other adjacent parcels.

The administrative rules provide more specific guidance on this issue. WAC 458-16A-100(29) provides a definition of residence that states:

> *"Residence" means a single-family dwelling unit whether such unit be 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 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.*

If the residence is located on more than one parcel, additional parcels can qualify if the combined area does not exceed the maximum acreage allowed. If the additional parcel is simply a bigger yard, there is a question of whether that is really part of the "residence." On the other hand, if the garage, or other type of structure usually associated with a residence, is located on the second parcel, then a judgment call must be made as to whether or not it is part of the "residence."

Implementation of Legislative Changes:

Q. Which zoning/land use classification applies – the current classification or the "grandfathered" classification?

A. SB 6338 is concerned with the current land use requirements. If the person purchased the property 20 years ago and, at the time, a 10-acre parcel was required per residence and now the zoning has changed and there is a one acre minimum per residence, then the exemption would apply to the one acre that is currently required by local zoning and land use.

Using the same reasoning, if a person purchased a 5-acre parcel 10 years ago and, at the time, only one acre was required per residence and now the land use regulations have changed and current requirements are 10 acres per residence, the exemption would apply to the entire 5-acre parcel since we are looking at current land use requirements.

Q. How does SSB 5256 affect the calculation of disposable income?

A. The excludable VA benefits changed with passage of SSB 5256. Prior to this legislation, any veteran's benefits that did not represent attendant-care or medical-aid payments had to be added to adjusted gross income in order to determine disposable income.

Beginning with the 2008 income year, the following benefits paid by the Department of Veterans' Affairs are excluded from disposable income:

- attendant-care payments;
- medical-aid payments;
- disability compensation, as defined in Title 38, part 3, section 3.4 of the code of federal regulations, as of January 1, 2008; and
- dependency and indemnity compensation - DIC, as defined in Title 38, part 3, section 3.5 of the code of federal regulations, as of January 1, 2008.

Any other veterans' benefits must still be included in disposable income.

Q. What steps should assessors take to implement E2SHB 1597?

A. Beginning July 1, 2010, assessors must notify approximately one-sixth of those persons exempt from taxes under RCW 84.36.381 in the current year who have not filed a renewal application within the previous six years, of the requirement to file a renewal application.

Each assessor has the discretion to determine what cycle to use, as long as each participant renews at least once every six years.

If the assessor finds that the applicant received exemption in prior years based on erroneous information, the taxes must be collected subject to penalties as provided in RCW 84.40.130 for a period of not to exceed five years.

> WAC 458-16A-150 (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 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.

Q. If our office converts to a six-year cycle, does that mean we might have to make corrections for the five previous years when someone files a renewal and no longer qualifies?

A. Yes. Any change that should have generated a "change in status" form can potentially create a situation where the exemption is based on "erroneous" information. In that situation, the taxes must be collected subject to penalties as provided in RCW 84.40.130 for a period of not to exceed five years.

For example, if someone applies and receives an exemption, then the next year the income increases because he/she gets married, when you find out during the renewal process six years from now, you will need to go back five years because the exemption received during those five years was based on "erroneous" or incorrect information.

Initially, there will be no need to go back for the five years since you are just now shifting to the six-year cycle and there should be no need to go back beyond the previous renewal. During the 2012 renewal cycle, you could run into a situation where you have to go back five years. That gives you time to plan and decide how you want to handle this.

You may want to consider managing the renewal cycle the way some of the other counties are doing it.

Kitsap County mails renewals to one-fourth of the participants each year. The other three-fourths of the participants receive a letter and change in status form. The letter explains that, even though it is not their year to renew, any change in status must be reported. The letter provides that participant's renewal year, and tells the taxpayer that if there was no change in status they do not need to respond.

In Cowlitz County, they send letters to 25 percent of seniors on the program. The letter reminds them that it is 'their year' to renew the exemption and gives a deadline by which they must reply. Everyone else (the other 75 percent) gets a postcard reminder that they only need to come in if there has been an unreported change in their status since the last update.

Q. In 2012, SHB 2056 passed, replacing the term "boarding home" with the term "assisted living facility". Does this change which facilities are allowed as "temporary residences" for the tax relief programs?

A. No. The definition, nature, and licensing of these facilities did not change. You still use the same DSHS website for searches and the site still references both. This change was for clarification.

Q. In 2013, SSB 5444 passed, eliminating the requirement for assessors to annually value tax-exempt government-owned properties and eliminating the leasehold excise tax credit

for tax amounts in excess of the amount of property tax that would have applied if the taxpayer owned the property. How does this affect participants in the property tax exemption program for senior citizens and disabled persons?

A. The leasehold excise tax credit for taxpayers who qualify for property tax exemption as a senior citizen or disabled person still applies. This has not changed. However, there will be a new Leasehold Excise Tax Credit form for 2014. This form must be completed by the taxpayer, in addition to the application for exemption, and the County Use Only section must completed by someone in the assessor's office. The taxpayer will be required to submit a copy of this form to the Department's Leasehold Excise Tax Division in order to receive the credit. Taxpayers receiving this credit should be included in your regular renewal cycle.

Documentation

Q. Who must sign the "Proof of Disability" affidavit?

A. WAC 458-16A-135(5)(e)(iv)(A) says that if a claim is based on a disability the claimant must provide either acknowledgment from SSA or VA or from "a licensed physician (medical or osteopath doctor), a licensed or certified psychologist for disabling mental impairments, or a licensed podiatrist for disabling impairments of the foot".

Our WAC rule is very clear in the terminology used. In addition, our definition of "disability" is now linked directly to the Social Security definition and that program also specifically defines "acceptable medical sources".

Although there are many other types of practitioner licenses (including dentistry, optometry, chiropractor, acupuncturist, naturopathy), these do not meet the qualifications set forth in the laws and rules governing these programs.

Typical Residential Parcel

Q. What is a "typical residential parcel" for purposes of the senior and disabled persons programs?

A. In the past, we have advised that improvements typically found on a residential parcel be included in the exemption including (but not limited to) detached garages, wood sheds, pump houses, outhouses, swimming pools ... The key question here is what is typical for your area?

We encourage you to develop policies within your office to implement these programs. These policies should be within the meaning of the laws and rules governing the exemption and deferral programs and these policies should be applied uniformly and consistently for all

program participants. By setting some in-house policies, you will help to guarantee that qualified taxpayers receive the appropriate benefit.

Q. I have an applicant that seems to qualify for senior exemption on all criteria. Once I applied her exemption to her account, my appraisers told me her home has no value because of a fire some years ago, and she claimed she is not living in the home. Her utility bills show electric and water usage, though she claims the repairs have not been made to the house. How do I treat her frozen value and residency? Does she qualify or not, since she claims the home is unlivable?

A. You have two issues: valuation and residency.

We'll take "residency" first because that is the easiest part to answer. We know, under normal circumstances, in order to continue the exemption the taxpayer must live in the residence for more than six months each year. In the case of "destroyed property", sometimes you have to make a judgment call based on the specific circumstances. In general, when there is a "destroyed property" situation and the taxpayer has relocated due to the destruction, if the taxpayer is actually working on repairs and will return to the home by the end of the following year, you can safely say the home remains the principal residence and leave the exemption in place. In this case, since the fire was several years ago, we are long past the point where the exemption should be removed if the taxpayer is not actually living in the residence. On the other hand, if the taxpayer is actually living there you can continue the exemption even though the repairs have not been made.

Next, we can talk about value in general. Even though the appraiser says there is no value for the home, if the taxpayer lives there, you can still allow the exemption. In that case, the exemption would just reduce the taxable value of the land and homesite improvements since there is no value placed on the actual dwelling structure. The value (or in this case the lack of value) of the residence does not determine eligibility for the exemption.

Now let's talk about the frozen value. When there is a "destroyed property" situation, typically, the assessor's market value is adjusted to reflect the value of the property after the destruction. For properties in the senior citizen exemption program, the frozen value is then compared with the true and fair value after destruction. The property owner pays tax on the lower of those two values. **In essence, the exemption participant pays tax on the lowest value authorized by law, the lower of the frozen value or the true and fair value after destruction.**

You should not adjust the frozen value at this time but, if/when the home is repaired or replaced, it might be necessary to establish a new frozen value. The land value would remain frozen at the original frozen value. The value of new construction is added to the senior citizen's frozen value **to the extent that the new construction increased the true and fair value of the property prior to destruction.** If the property owner replaced the destroyed property and the true and fair value of the property was no more than the true and fair value prior to destruction, the frozen value would not be affected. Only the "new construction" value of repairs or replacements that exceeds the original true and fair value would be added to the frozen value. For example, if the

structure was originally a 2 bed/2 bath, 1200 sq. ft. dwelling with average construction – i.e. typical siding, countertops, floors, etc. - and, after the repairs, that is still the case, you should not adjust the frozen value. On the other hand, if the new construction included increasing the sq. ft. of the home, adding bedrooms and bathrooms, upgrading the exterior and interior, etc., then you should adjust the frozen value to reflect the "new construction".

The things to remember about the frozen value are:

- The value is frozen based on the January 1 assessed value in the assessment/income/application year the taxpayer first qualifies for the exemption.
- After that, the frozen value is not adjusted unless property is removed from the exemption or added to the exemption.
    - i.e. a portion of the property is sold or used for business or there is a change in zoning/land use changing the amount of land that can be included. If the market assessed value of the residence and/or land falls below the frozen value, the exemption is applied to the lower of the two values so that the taxpayer always receives the greater benefit.
    - i.e. the residence is an older single-wide mobile home and is replaced with a new double-wide, zoning/land use changes to allow inclusion of additional acreage, "new construction" type improvements are made to the property.

RCW 84.36.381(6)(a) For a person who otherwise qualifies under this section and has a combined disposable income of thirty-five thousand dollars or less, the valuation of the residence is the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year the person first qualifies under this section. If the person subsequently fails to qualify under this section only for one year because of high income, this same valuation must be used upon requalification. If the person fails to qualify for more than one year in succession because of high income or fails to qualify for any other reason, the valuation upon requalification is the assessed value on January 1st of the assessment year in which the person requalifies. If the person transfers the exemption under this section to a different residence, the valuation of the different residence is the assessed value of the different residence on January 1st of the assessment year in which the person transfers the exemption.

(b) In no event may the valuation under this subsection be greater than the true and fair value of the residence on January 1st of the assessment year.

(c) This subsection does not apply to subsequent improvements to the property in the year in which the improvements are made. Subsequent improvements to the property must be added to the value otherwise determined under this subsection at their true and fair value in the year in which they are made.

Section X

Reference Section

DOR Contacts, Internet Links, PTN'S, PTA'S, BTA Cases, Etc.

Contacts for the Individual Benefit Programs covered in this manual:

Property Tax Deferral Section	MyDeferral@dor.wa.gov	360.534.1400
Mark Baca – Auditor	MarkBa@dor.wa.gov	360.534.1409
Peggy Davis – Specialist	PeggyD@dor.wa.gov	360.534.1410
Ras Roberts – Program Manager	RasR@dor.wa.gov	360.534.1411

Contacts for Department of Revenue, Property Tax Division, by topic can be found at:

http://propertytax.dor.wa.gov/Aspx/ContactUs.aspx

PROPERTY TAX NOTICES

You can find a list of Property Tax Notices and links to the documents at the following web address.

http://dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/tax_sn_main.aspx#property

PROPERTY TAX ADVISORIES

PTA #	TITLE http://dor.wa.gov/content/FindTaxesAndRates/PropertyTax/prop_RnLs.aspx
2.1.2009	Property Tax Bulletins Cancelled
4.3.2012	Specific Question Pertaining to the Administration and Qualification of the Land on Which a Residence Is Sited for Property Classified as Farm and Agricultural Land Under Chapter 84.34 RCW (replaces 4.0.2000)
5.1.2009	Specific question pertaining to land classified as farm and agricultural land under chapter 84.34 RCW, when the land qualifies for classification because of the commercial agricultural activity produced from perennial plantings.
7.1.2009	Sales Tax as an Element of Value
8.1.2009	Appraisal of Bed and Breakfast establishments
9.1.2009	Assessment of Supplies
10.1.2009	“True lease” or Security Agreement
11.2.2009	Application of the Soldiers' and Sailors' Civil Relief Act of 1940 to Property Tax Administration
13.1.2009	Impact of Local Zoning Ordinances on Property Tax Exemptions Granted Under Chapter 84.36 RCW
14.2.2009	Transfer or Removal of Land Owned by a Federally Recognized Indian Tribe Classified Under Chapter 84.33 or 84.34 RCW
15.1.2009	Low-Income Housing Valuation
6.2.2011	Property Taxability of Motor Vehicles > **UPDATED**
16.1.2011	Establishing Additional Eligibility Requirements for the Current Use Program
1.1.2014	Taxation of Permanent Improvements on Tribal Trust Land
12.3.2014	Classification of Land Used for Christmas Tree Production > **UPDATED**
17.0.2014	Valuation of Community Land Trust (Resale Restricted) Properties

Washington State Board of Tax Appeals Decisions

Subject	Docket Number	Document Date	County
CDI	46284	05/04/1995	KING
CDI	60784	03/04/2005	KING
CDI	65298	07/24/2007	CLALLAM
CDI - Annuity	56804	07/22/2002	STEVENS
CDI - Annuity	56336	01/08/2003	ADAMS
CDI - Annuity	78163	09/26/2012	SPOKANE
CDI - Annuity	80377	03/26/2014	BENTON
CDI - Business Expense	38840	05/20/1991	BENTON
CDI - Capital Gains	40932	09/04/1992	OKANOGAN
CDI - Capital Gains	53478	05/19/1999	KITSAP
CDI - Capital Gains	55067	08/30/2000	KING
CDI - Capital Gains	55692	07/24/2001	KING
CDI - Capital Gains	64041	04/25/2006	KING
CDI - Capital Gains	69754	10/09/2009	JEFFERSON
CDI - Conversion to Roth IRA	56974	02/14/2002	KING
CDI - Conversion to Roth IRA	61900	02/23/2005	PIERCE
CDI - Conversion to Roth IRA	65013	07/18/2007	KING
CDI - Health Insurance	71372	01/13/2011	SNOHOMISH
CDI - Health Insurance	87932	08/31/2016	ISLAND
CDI - Incomplete Application	83031	09/12/2014	KING
CDI - IRA	44279	08/04/1994	ISLAND
CDI - IRA	44279	08/04/1994	ISLAND
CDI - IRA	52012	09/22/1998	CLALLAM
CDI - IRA	54826	07/05/2000	KITTITAS
CDI - Lump Sum from SS	63641	11/15/2006	SPOKANE
CDI - Medical Expense	69620	09/11/2009	CLALLAM
CDI - Return on Investment	85644	10/15/2014	CLALLAM
CDI - Spouse	64500	02/13/2007	PIERCE
CDI - VA Benefits	61265	01/14/2005	SKAGIT
CDI - VA Benefits	67496	10/06/2008	LINCOLN

Washington State Board of Tax Appeals Decisions (continued)

Subject	Docket Number	Document Date	County
Disability - Minor Child	00-027	10/20/2000	KING
Disabled - Old Definition	60528	12/21/2004	KING
Documentation	98038	02/26/1999	KITSAP
Documentation	68529	01/26/2009	KING
Documentation	69187	10/19/2009	CLALLAM
Life Estate - Not Retroactive	44137	10/27/1994	CLALLAM
Manufactured Homes	94131	11/20/1995	WHATCOM
Manufactured Homes	47072	02/06/1997	SKAGIT
Manufactured Homes	47376	02/06/1997	SKAGIT
Manufactured Homes	47418	02/06/1997	SKAGIT
Ownership	66604	05/29/2008	KING
Ownership	70194	09/24/2009	CLALLAM
Ownership	71729	04/21/2010	SPOKANE
Ownership	72627	09/29/2010	CLARK
Ownership - Corp	87440	10/22/2015	PIERCE
Ownership - Corp.	75057	12/01/2011	BENTON
Ownership - Corp. Sole	53319 - 53320	10/16/1998	STEVENS
Ownership - Partial	49578	12/01/1997	MASON
Ownership - Surviving Spouse	88508	04/04/2017	PIERCE
Ownership - Trust	59617	02/10/2004	KING
Ownership - Trust	63541	10/17/2006	SPOKANE
Ownership - Trust	66040	10/08/2007	SPOKANE
Ownership - Trust	8030	08/21/2008	SPOKANE
Ownership - Trust	78164	09/26/2012	SPOKANE
Residency	81976	12/15/2015	PIERCE
Residency - Business Use	6074	03/12/2007	KING
Residency - Business Use	12-037	04/24/2014	KING
Residency - Documentation	86781	01/13/2016	SPOKANE
Residency - Documentation	85942	03/21/2016	CLARK
Residency - Occupancy	48685	12/30/1997	KING
Residency - Occupancy	00-068	05/02/2002	KING

Washington State Board of Tax Appeals Decisions (continued)

Subject	Docket Number	Document Date	County
Residency - Occupancy	68389	01/30/2009	PIERCE
Residency - Occupancy	72694	04/14/2011	PIERCE
Residency - Occupancy	84948	10/27/2016	LEWIS
Residency - Occupancy-Motor Home	98-039 - 98-041	04/23/1999	PIERCE
Residency - Occupancy-Travel Trailer	77170	12/12/2012	CLARK
Residency - Other Improvements	79633	07/05/2013	OKANOGAN
Residency - Other Improvements	86801	03/27/2017	ISLAND
Residency - Outpatient Care	86888 - 86892	10/14/2014	PIERCE
Value	92-002 - 92-004	01/26/1993	JEFFERSON
Value	64408	10/06/2006	SPOKANE
Value	65438	06/06/2007	GRAYS HARBOR
Value	65102	07/05/2007	KING
Value	07-362 & 07-363	12/31/2007	PIERCE
Value - Reconvene	58790	10/08/2003	COWLITZ

INTERNET LINKS

Board of Tax Appeals	http://bta.state.wa.us/
DSHS Directory of Licensed Facilities	https://fortress.wa.gov/dshs/adsaapps/lookup/NHPubLookup.aspx
Health Practitioner Credentials	https://fortress.wa.gov/doh/providercredentialsearch/
IRS Forms and Publications	http://www.irs.gov/formspubs/index.html
Laws (RCW) and Rules (WAC)	http://www1.leg.wa.gov/LawsAndAgencyRules/
Municipal Research and Services Center	http://www.mrsc.org/
Social Security Administration	https://www.ssa.gov/
Medicare - Title 18	Medicare – Title 18: http://www.ssa.gov/OP_Home/ssact/title18/1800.htm
Medicare - Part C - MedicareAdvantage	https://www.medicare.gov/
Washington Association of Counties	http://wsac.org/
Property Tax Resource Center	http://propertytax.dor.wa.gov/

Section XI

Recent Legislation and Rule Changes

RECENT LEGISLATION AND RULE CHANGES

RULE CHANGES

WAC 458-16A, WAC 458-18, and WAC 458-18A are current through 2016 legislation.

RECENT LEGISLATION

All recent legislation has been incorporated in the body of the manual!

You can access legislation summaries for 2006 through 2018 on the PTRC website at:

http://propertytax.dor.wa.gov/.

You can access Property Tax Special Notices for recent legislation on the Department of Revenue website at:

http://dor.wa.gov/Content/GetAFormOrPublication/PublicationBySubject/tax_sn_main.aspx#property.

Section XII

Forms and Publications

NUMBER	REVISION DATE	PUBLICATION TITLE
PTFS 0017 EX	01/18	Property Tax Exemptions for Senior Citizens and Disabled Persons
PTFS 0017 LP	01/18	Property Tax Deferrals for Senior Citizens and Disabled Persons
PTFS 0051	01/18	Property Tax Assistance Program for Widows or Widowers of Veterans
PTFS 0057	01/18	Property Tax Deferrals for Homeowners with Limited Income
FORM NUMBER		FORM TITLE
63 0017	02/12	Deferred Tax Transmittal
63 0023	12/17	Property Tax Assistance Claim Form for Widows and Widowers of Veterans
64 0001	11/15	Petition For Property Tax Refund
64 0002	12/17	Exemption Application – Senior/Disabled
64 0010	10/17	Exemption - Affidavit of Cooperative Housing or Life Estate
64 0011	12/17	Deferral Application – Senior/Disabled
64 0016	02/12	CDI - Gross Income Adjustments for Business Rental or Farm Income
64 0018	12/17	Change in Status Form – Senior/Disabled Exemption
64 0019	12/17	Renewal Form – Deferral for Senior Citizens and Disabled Persons
64 0020	12/17	Renewal Form –Senior/Disabled Exemption
64 0025	12/17	Renewal Form – Deferral for Homeowners with Limited Income
64 0082	07/15	Leasehold Excise Tax – Senior/Disabled Reduction
64 0085	10/14	Declaration of Trust – Senior/Disabled Exemption
64 0090	03/18	Appeal Form - Taxpayer Petition to County BOE for Review of Senior Citizen/Disabled Person Exemption or Deferral
64 0095	12/17	Proof of Disability Statement
64 0098	02/12	CDI - Income Checklist
64 0105	12/17	Deferral Application - Homeowners with Limited Income
86 0072	07/15	Worksheet to Determine Leasehold Excise Tax Taxable Rent – Senior Citizens and Disabled Persons