Department of Revenue Washington State

Property Tax Deferral for Senior Citizens and People with Disabilities





Washington state has two property tax relief programs for senior citizens and people with disabilities. This brochure provides information for the property tax deferral program. For information about the property tax exemption program, see the Property Tax Exemption for Senior Citizens and People with Disabilities brochure.

Overview

As a participant in the deferral program, you are electing to postpone or **defer** the payment of the property taxes and/or special assessments you owe for your residence. The Washington State Department of Revenue pays the property taxes on your behalf. You will repay the amount you defer plus interest when a triggering event occurs. We will discuss repaying the deferral later in this brochure.

Qualifications

The deferral program qualifications are based off of age or disability, ownership, occupancy, and income. Details of each qualification follows.

Age or disability

In the year you apply, you must be any of the following:

- At least 60 years of age by December 31.
- Unable to work because of a disability.
- At least 57 years of age and the surviving spouse or domestic partner, heir, or devisee of a person who was a deferral participant at the time of their death.

Ownership

You must own the home in full by Dec 31 of the year prior to the deferral year to qualify. Ownership in a cooperative housing association, a life estate (including lease for life), or a revocable trust do not qualify. An irrevocable trust may qualify. The deferral is limited to the residence and one acre of land. Certain zoning or land-use regulations may allow additional acreage.

A home jointly owned by a married couple, registered domestic partners, or co-tenants is considered wholly owned by each joint owner. A co-tenant is a person who has an ownership interest in your home and lives in the home. Only one joint owner must meet the age or disability qualification.

Occupancy

You must occupy the home for more than six months in the calendar year prior to the deferral year. You may continue to qualify even if you spend time in a hospital, nursing home, boarding home, adult family home, or home of a relative. However, a residence used as a vacation home is not eligible.

Income

Your combined disposable income cannot exceed your county's income threshold which is the greater of $45,000 or 75% of the county median household income. Find your county's income threshold at dor.wa.gov/incomethresholds.

If you qualify for the property tax exemption program, you must apply for the exemption before you apply for this deferral.

Combined disposable income includes your disposable income plus the disposable income of your spouse or domestic partner and any co-tenants received during the calendar year prior to the deferral year.

Combined disposable income does not include income of a person who:

- Lives in your home but does not have ownership interest (except for a spouse or domestic partner). However, you must include any money that person contributes to the household expenses.
- Does not live in the home but has ownership interest. If another person(s) has ownership interest, but does not live in the home, only your percentage of interest will qualify for the exemption.

Calculating disposable income

Disposable income includes income from all sources, even if the income is not taxable for federal income tax purposes. Some of the most common sources of income include:

- Social Security and Railroad Retirement benefits.
- Military pay and benefits.
- Veterans benefits except attendant-care payments, medical-aid payments, veteran's disability compensation and dependency and indemnity compensation.
- Pension receipts. Include distributions from retirement bonds and Keogh plans. Include only the taxable portion of Individual Retirement Accounts (IRA's).
- Business or rental income. You cannot deduct depreciation.
- Capital gains other than the gain from the sale of your residence that was reinvested in another residence within one year.
- Capital, business, or rental losses cannot be deducted or used to offset gains or other income.
- Annuity receipts.
- Interest and dividend receipts.

If you have questions about your sources of income, contact your county assessor.

Deductions from disposable income

After combining the disposable income of yourself, your spouse/domestic partner, and any co-tenants, deduct non-reimbursed amounts paid by you or your spouse/domestic partner for:

- Living in a nursing home, assisted living facility, or adult family home.
- Prescription drugs.
- In-home care that is similar to the care you would receive in a nursing home.
- In-home care includes:

        - ◊ Medical treatment.
        - ◊ Physical therapy.
        - ◊ Household care.
        - ◊ Personal care.
            - Personal care includes assistance with:
                - ◊ Preparing meals.
                - ◊ Getting dressed.
                - ◊ Eating.
                - ◊ Taking medications.
                - ◊ Personal hygiene.
- Premiums for Medicare Parts A, B, C, and D.
- Premiums for Medicare supplemental policies (Medigap).
- Durable medical and mobility enhancing equipment.
- Prosthetic devices.
- Medically prescribed oxygen.
- Long-term care insurance.
- Cost-sharing amounts (amounts applied to your health plans out of pocket maximum amount).
- Medicines of mineral, animal, and botanical origin if prescribed, administered, dispensed, or used in the treatment of an individual by a naturopath licensed in Washington.
- Ostomic items.
- Insulin for human use.
- Disposable devices used to deliver drugs for human use.

Property taxes and special assessments eligible for deferral

The amount of equity you have in your property determines the amount of property taxes and/or special assessments you can defer.

Equity is the difference between the assessed value of the property and any debts secured by the property.

If you meet all qualifications and maintain a fire and casualty insurance policy that names the Washington State Department of Revenue as a “Loss Payee”, you can defer taxes and special assessments up to 80% of the equity of your land and residence. Without a fire and casualty insurance policy or if your policy does not name the Washington State Department of Revenue as a “Loss Payee”, only the land value is used to calculate equity.

Applying for the deferral

Your county assessor administers the deferral program and is responsible for determining if you meet the qualifications. Applications and supporting documents for each qualification are due at least 30 days before the tax is due. The county assessor can accept late applications.

You must renew your deferral each year. Your county assessor will send you a renewal notification if you applied the previous year.

If your county assessor denies your application, they will notify you in writing. You may appeal the assessor's decision to the county Board of Equalization. The county Board of Equalization must receive your appeal by July 1, or within 30 days of the denial, whichever date is later.

You should apply at least 30 days before payment of the property taxes and/or special assessments is due. Filing a complete application at least 30 days before your tax and/or special assessment is due helps avoid late payment penalties and interest. If you are applying to stop the county treasurer from foreclosing for unpaid taxes, you should apply within 30 days of receiving the foreclosure notice. If you have unpaid taxes or special assessments from prior years you can request payment for the prior years on the same application form. You do not need to submit a separate application for each year.

Repaying the deferral

You need to repay the amount deferred plus interest when any of the following triggering events happens:

- You transfer ownership of your property to someone else.
- You no longer permanently reside at the residence.
- Your property is condemned.
- You no longer maintain a fire and casualty insurance policy naming the Washington State Department of Revenue as a loss payee in an amount that is sufficient to protect the interest of the state, and the deferred amount exceeds 100% of your equity in only the land value.
- You die (unless your surviving spouse, domestic partner, heir, or devisee is at least 57 years old, meets the qualifications for the deferral, and files an application with the county assessor within 90 days of your death).

Rate of interest

Taxes deferred on or after January 1, 2007, accrue interest at an annual rate of 5%.

Laws and rules

Revised Code of Washington (RCW) Chapter 84.38—Deferral of Special Assessments and/or Property Taxes).

Washington Administrative Code (WAC) Chapter 458-18—Property Tax—Abatements, Credits, Deferrals and Refunds.

Questions, more information, request an application

If you have questions regarding the property tax deferral program, application form, or the application process, contact your local county assessor's office.

Department of Revenue Washington State

To ask about the availability of this publication in an alternate format for the visually impaired, please call 360-705-6705. Teletype (TTY) users may use the WA Relay Service by calling 711.

Prepared by the CEC Division
11/21 FS0017LP