

Department of Revenue  
Washington State

# Property Tax Relief Programs for Individuals

Washington state's primary tax agency

August Webinar 2024

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## Webinar Instructors

Ras Roberts & Laura Osborne

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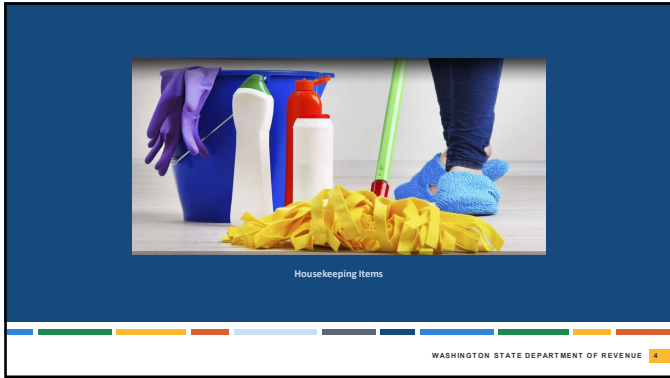
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### Webinar Agenda

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|---|---|
| <p><b>Tuesday, Aug 20, 2024 – 9:00 am – 4:30 pm</b></p> <ul style="list-style-type: none"> <li>• Day One</li> <li>• Program Manual, Publications &amp; Forms</li> <li>• Individual Benefit Programs (IBP) – overview</li> <li>• IBP – Primary Qualifications</li> <li>• Widow/Widower Grant Assistance Program</li> <li>• Exemption / Deferral Programs</li> <li>• Appeals &amp; Leasehold Excise Tax Credit</li> </ul> | <p><b>Wednesday, Aug 21, 2024 – 9:00 am – 4:30 pm</b></p> <ul style="list-style-type: none"> <li>• Day Two</li> <li>• Q&amp;A from Day One content</li> <li>• Disposable Income</li> <li>• Combined Disposable Income</li> <li>• Trusts</li> <li>• Breakout Rooms &amp; Group Discussion on trusts, combined disposable income (CDI), etc.</li> </ul> |
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## Questions?

Agenda Overview

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**Resources**

- Property Tax Resource Center
- Program Manual
- Forms & Brochures



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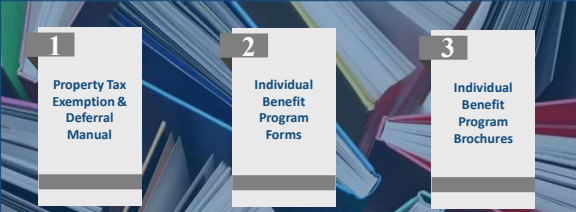
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**Property Tax Resource Center (PTRC)**  
[propertytax.dor.wa.gov](http://propertytax.dor.wa.gov)



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Available on [propertytax.dor.wa.gov](http://propertytax.dor.wa.gov)

- Updates for 2025
  - ADU
  - RCW & WAC
  - Reorganization of manual to follow



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Individual Benefit Program Forms

Available on [dor.wa.gov](http://dor.wa.gov) and [propertytax.dor.wa.gov](http://propertytax.dor.wa.gov)

- Reminder: If you use county specific forms for the Exemption Program, make sure you send any proposed revisions to DOR for final approval before you use them.
- Senior Citizen / Disabled Person Exemption
  - [RCW 84.36.385\(1\)](#) and [WAC 458-16A-135\(5\)\(a\)](#)
- Senior Citizen / Disabled Person Deferral
  - [RCW 84.38.040\(1\)](#), [RCW 84.38.050](#), and [WAC 458-18-030\(2\)](#)
- Limited Income Deferral
  - [RCW 84.37.040\(1\)](#) and [WAC 458-18A-030\(2\)](#)

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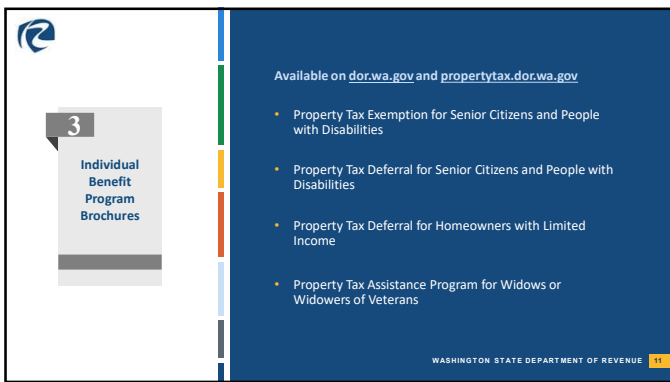
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Individual Benefit Program Brochures

Available on [dor.wa.gov](http://dor.wa.gov) and [propertytax.dor.wa.gov](http://propertytax.dor.wa.gov)

- Property Tax Exemption for Senior Citizens and People with Disabilities
- Property Tax Deferral for Senior Citizens and People with Disabilities
- Property Tax Deferral for Homeowners with Limited Income
- Property Tax Assistance Program for Widows or Widowers of Veterans

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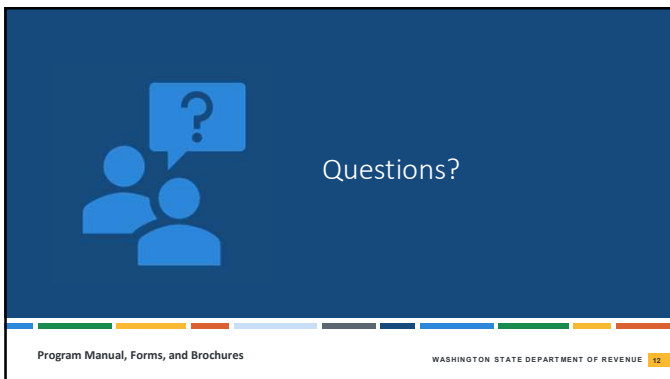
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Questions?

Program Manual, Forms, and Brochures

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# Individual Benefit Programs Overview

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Individual Benefit Programs Overview



## Exemption Program

- Reduction in tax amount
- Shifts the tax burden
- Exemption is tiered
- Renewal requirement

RCW 84.36.379—RCW 84.36.389  
WAC 458-16A

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Individual Benefit Programs Overview



## Deferral Programs

- No reduction
- Postpones payment of property taxes and/or special assessments
- State pays the taxes/assessments and charges interest
- Renewal requirement
- Repayment of deferral balance is voluntary until a canceling event occurs and then it becomes mandatory

|   |  |
|---|--|
| Property Tax Deferral for Senior Citizens and People with Disabilities<br>RCW 84.38<br>WAC 458-18 | Property Tax Deferral For Homeowners with Limited Income<br>RCW 84.37<br>WAC 458-18A |
|---|--|

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Individual Benefit Programs Overview

### Widows/Widowers of Qualifying Veterans



- Monetary assistance is in the form of a grant
- Applicant can not be remarried
- Assistance works with exemption program
- Renewal requirement

RCW 84.39

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Individual Benefit Programs Overview

### Property Tax Statistics 2023



- Senior/Disabled Deferral**
  - 277 apps (2022)
  - \$890,414 relief
  - \$3,214 average relief
- WW Grant**
  - 11 apps (2022)
  - \$1,518
  - \$138 average relief
- Limited Income Deferral**
  - 24 apps (2022)
  - \$59,482
  - \$2,478 average relief
- Senior/Disabled Exemption**
  - 114,072 participants
  - \$334 million
  - \$2,932 average relief
  - [Program History](#)

<https://dor.wa.gov/about/statistic-reports/property-tax-statistics>

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Individual Benefit Programs Overview

### Property Tax Statistics 2023

| Year Levies Due | Approved Applicants | Total Relief  | Average Relief |
|-----------------|---------------------|---------------|----------------|
| 2023            | 114,072             | \$334,407,601 | \$2,932        |
| 2022            | 116,077             | 305,495,989   | 2,632          |
| 2021            | 112,803             | 273,234,116   | 2,422          |
| 2020            | 109,029             | 249,650,782   | 2,290          |
| 2019            | 108,751             | 207,539,822   | 1,908          |
| 2018            | 113,691             | 198,222,177   | 1,744          |
| 2017            | 106,699             | 172,294,657   | 1,615          |
| 2016            | 104,237             | 170,069,535   | 1,632          |
| 2015            | 106,456             | 160,875,085   | 1,511          |
| 2014            | 107,399             | 154,767,720   | 1,441          |
| 2013            | 112,733             | 155,238,091   | 1,377          |
| 2012            | 112,874             | 160,865,559   | 1,425          |
| 2011            | 114,800             | 175,512,451   | 1,529          |
| 2010            | 114,359             | 173,844,936   | 1,520          |
| 2009            | 113,239             | 176,066,722   | 1,555          |
| 2008            | 113,948             | 180,895,710   | 1,588          |
| 2007            | 114,862             | 168,383,834   | 1,466          |
| 2006            | 115,801             | 161,494,134   | 1,395          |
| 2005            | 109,916             | 150,015,797   | 1,365          |
| 2004            | 112,587             | 120,099,341   | 1,067          |
| 2003            | 112,671             | 121,315,779   | 1,077          |
| 2002            | 116,197             | 112,313,715   | 967            |
| 2001            | 122,928             | 112,498,359   | 915            |
| 2000            | 126,914             | 117,387,875   | 925            |
| 1999            | 128,686             | 113,706,695   | 884            |
| 1998            | 131,924             | 80,614,685    | 611            |
| 1997            | 135,742             | 81,077,359    | 597            |
| 1996            | 136,016             | 79,043,697    | 581            |
| 1995            | 130,650             | 73,191,817    | 560            |
| 1994            | 126,641             | 67,368,802    | 532            |

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Questions?

Individual Program Benefits Overview WASHINGTON STATE DEPARTMENT OF REVENUE 19

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Question Time!

We would like to know how long you have been working with IBP?

- 0 - 3 months
- 3 - 6 months
- 6 - 12 months
- 12 - 24 months
- 2 - 3 years
- 4 - 5 years
- 5+ years



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Program Requirements

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## Program Requirements

Age or Disability

Occupancy & Ownership

Income

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## Program Requirements

| Program                        | Age Requirement  | Disability Requirement  |
|--------------------------------|--|---|
| Senior/Disabled Exemption      | 61 years old by Dec. 31 of assessment year (year prior to taxes due) | OR disabled by SSA definition<br>OR a Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated. |
| Senior/Disabled Deferral       | 60 years old by Dec. 31 of the filing year (tax year)                | OR disabled by SSA definition   |
| Limited Income Deferral        | None   | None  |
| Widow/Widower Grant Assistance | 62 years old by Dec. 31 of the filing year (tax year)                | OR disabled by SSA definition   |

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## Program Requirements

Disability Requirement

OR disabled by SSA definition  
OR a Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated.

OR disabled by SSA definition

None

OR disabled by SSA definition

SSA definition

The inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.

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### Program Requirements

| Program                        | Occupancy Requirement                        | Ownership Requirement                     |
|--------------------------------|--|---|
| Senior/Disabled Exemption      | Must occupy property as principal residence. | Must own or be purchasing.                |
| Senior/Disabled Deferral       | Must occupy property as principal residence. | Must own (on title).                      |
| Limited Income Deferral        | Must occupy property as principal residence. | Must have owned the property for 5 years. |
| Widow/Widower Grant Assistance | Must occupy property as principal residence. | Must own or be purchasing.                |

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### Program Requirements

| Occupancy Requirement                        | Definition of "residence" in RCW 84.36.383 and WAC 458-16A-100  |
|--|---|
| Must occupy property as principal residence. | <ul style="list-style-type: none"> <li>Can include an ADU beginning with tax year 2025 and forward</li> <li>Up to one acre – OR – up to 5 acres if the larger parcel size is required under local land use regulations</li> <li>Must be the applicant's principal residence</li> <li>Occupy the home for <u>more than six months each calendar year</u></li> <li>Applicant <i>may</i> still meet the occupancy requirement when not occupying home</li> </ul> |
| Must occupy property as principal residence. |   |
| Must occupy property as principal residence. |   |
| Must occupy property as principal residence. |   |

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### Program Requirements

Home is still considered primary residence if applicant isn't occupying in the following circumstances:

|  |                   |  |
|--|-------------------|--|
| <p><u>Applicant confined to:</u></p> <ul style="list-style-type: none"> <li>&gt; Hospital</li> <li>&gt; Nursing home</li> <li>&gt; Assisted living home</li> <li>&gt; Boarding home</li> <li>&gt; Adult family home <u>OR</u></li> <li>&gt; Home of relative for long-term care</li> </ul> | <p><b>AND</b></p> | <p><u>Primary residence is:</u></p> <ul style="list-style-type: none"> <li>&gt; Temporarily vacant</li> <li>&gt; Rented to offset costs of facility</li> <li>&gt; Occupied by someone financially dependent on applicant <u>OR</u></li> <li>&gt; Occupied by unpaid caretaker</li> </ul> |
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## Program Requirements

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Primary residence is:

- > **Temporarily vacant.**
- > Rented to offset costs of facility,
- > Occupied by someone financially dependent on applicant, OR
- > Occupied by unpaid caretaker.

What is "temporarily vacant"?

Nothing in law or rule saying the stay in the facility must be temporary.

No specific definition in law about upper range of "temporary".

Case law in other states appears to hold "intent" as the determining factor.

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## Program Requirements

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Primary residence is:

- > **Temporarily vacant.**
- > Rented to offset costs of facility,
- > Occupied by someone financially dependent on applicant, OR
- > Occupied by unpaid caretaker.

What is "temporarily vacant"? (continued)

Department opinion - "Senior citizens always intend to return home regardless of the length of time they are incarcerated in a hospital, boarding home, adult family home or nursing home."

Clear situation where participant specifically expresses intent to not return to the residence even when/if able, **AND** residence is vacant, property would no longer qualify for exemption. Get it in writing!

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## Program Requirements

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**Ownership Requirement**

Must **own** or be purchasing.

Must **own** (on title).

Must have **owned** the property for 5 years.

Must **own** or be purchasing.

Ownership

The applicant must have an ownership interest in the property.

Qualifying Ownership includes fee simple and contract purchase.

- Exemption program additionally can allow life estate & lease for life
- Trusts may meet the ownership qualification, depending on the program

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### Program Requirements

| Program                        | Income Limits  | Approval Authority |
|--------------------------------|--|--------------------|
| Senior/Disabled Exemption      | 70% county median household income (2024 taxes and forward)  | Assessor           |
| Senior/Disabled Deferral       | 75% county median household income (2024 taxes and forward)  | Assessor           |
| Limited Income Deferral        | \$57,000   | Assessor           |
| Widow/Widower Grant Assistance | 70% county median household income (2025 taxes and forward)* | Dept. of Revenue   |

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### Program Requirements

| Income Limits  |   |
|--|---|
| 70% county median household income (2024 taxes and forward)  | <p style="text-align: center;">"County median household income" definition:</p> <p style="text-align: center;">RCW 84.36.383 &amp; WAC 458-16A-100</p> <ul style="list-style-type: none"> <li>• Median household income estimates for the state of Washington by county</li> <li>• Published by the Office of Financial Management (OFM)</li> <li>• Department updates income thresholds every three years</li> </ul> |
| 75% county median household income (2024 taxes and forward)  |   |
| \$57,000   |   |
| 70% county median household income (2025 taxes and forward)* |   |

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### Program Requirements

**Senior citizens and people with disabilities exemption and deferred income thresholds**

**Income thresholds:**

- 2024 - 2025: 70% county median household income (2024 taxes and forward)
- 2020 - 2023: 75% county median household income (2024 taxes and forward)
- 2019 and prior: fixed amounts

**More information:**

- Property tax exemption and deferral for senior citizens and people with disabilities
- RCW: 84.36.383 - 84.36.388
- WAC: 458-16A-100
- WAC: 458-16A-100 - 458-16A-103
- 800-531-3000

[www.dor.wa.gov/incomethresholds](http://www.dor.wa.gov/incomethresholds)

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<https://dor.wa.gov/taxes-rates/property-tax/senior-citizens-and-people-disabilities-exemption-and-deferred-income-thresholds>  
 2019 and prior: fixed amounts  
 2020 and forward: based on percentage of county median household income



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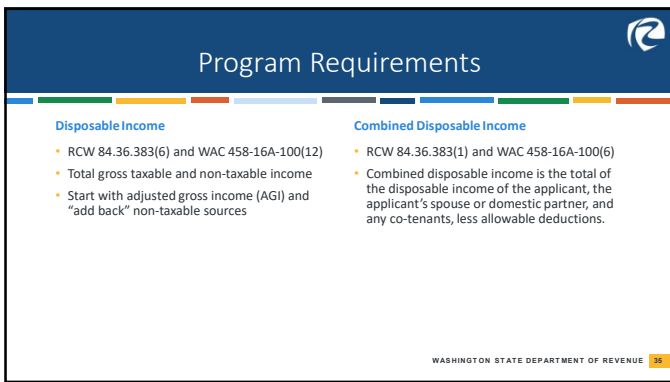
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In depth discussion of disposable income, combined disposable income & how to calculate it – Day 2

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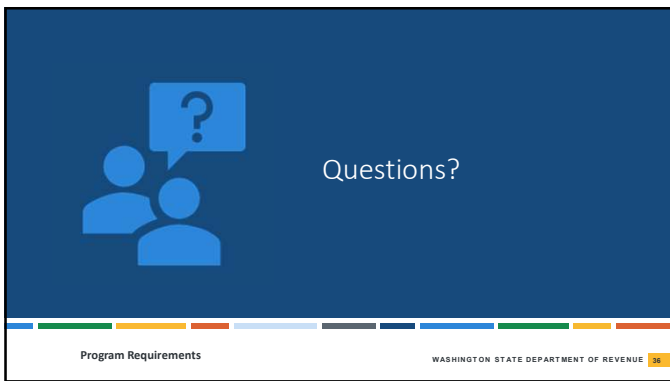
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**Question Time!**

What program requires the applicant to be 60 in the year they file?

- Senior/Disabled Exemption
- Senior/Disabled Deferral
- Limited Income Deferral
- Widow/Widower Grant Assistance



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Widows and Widowers of Veterans Grant Assistance Program

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**Overview**

- Provides monetary assistance in the form of a grant for qualifying applicant
- Partial repayment may be required if applicant ceases to reside in primary residence prior to December 15 in the year assistance is paid
- Does not create a tax shift and is not a lien that needs to be paid back.

RCW 84.39

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Widows and Widowers of Veterans Grant Assistance Program

| Qualifications          | Widow/Widowers of Veterans Grant Assistance Program  |
|-------------------------|--|
| Age                     | 62 years old by Dec. 31 of the filing year (tax year)  |
| Disability              | OR disabled by SSA definition  |
| Occupancy/<br>Ownership | Must occupy property as principal residence.<br>Must own or be purchasing.                             |
| Income Limits           | 70% county median household income (2025 taxes and forward)*<br>For tax year 2024 and prior - \$40,000 |
| Marital Status          | Must NOT have remarried or entered into domestic partnership.  |

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Widows and Widowers of Veterans Grant Assistance Program

### Additional Qualifications

Must be a widow/widower of a veteran who:

- Died as result of service-connected disability OR
- Was 100% disabled for 10 years prior to death OR
- Was a POW and 100% disabled for 1 or more years prior to death OR
- Died on active duty/training status

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Widows and Widowers of Veterans Grant Assistance Program

### Applications

- Applicant should apply for exemption, if eligible
- Applicant must meet eligibility for each year
- Applications due 30 days before tax due date (late and prior year applications are accepted)
- Must renew annually

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Widows and Widowers of Veterans  
Cash Assistance Program



### Roles and Responsibilities

- DOR administers and educates public
- Assessor provides assistance when needed
  - Value (frozen or market, taxable, and total)
  - Exemption level
  - Levy rates (regular levy including part 1 of state school levy, part 2 of state school levy, and excess levies)
- Appeals are made to BTA

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Widows and Widowers of Veterans  
Cash Assistance Program



### Levels of Assistance (2024 and prior)

Assistance equal to property tax levied on difference between value eligible for exemption and:

- \$0 - \$30,000 – first \$100,000 of assessed value
- \$30,001 - \$35,000 – first \$75,000 of assessed value
- \$35,001 - \$40,000 – first \$50,000 of assessed value

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Widows and Widowers of Veterans  
Cash Assistance Program



### Levels of Assistance (2025 and forward)

Assistance equal to property tax levied on difference between value eligible for exemption and:

- Income Threshold 1 – first \$200,000 of assessed value
- Income Threshold 2 – first \$150,000 of assessed value
- Income Threshold 3 – first \$100,000 of assessed value

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Widows and Widowers of Veterans Grant Assistance Program

### Loss of Assistance

- Loss of Assistance – RCW 84.39.050
  - Ceases to reside on the property between application date and December 15th of assistance year
- Applicant must repay appropriate amount of assistance

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### Questions?

Widow and Widowers of Veterans Grant Assistance Program

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### Question Time!

Does the Widow and Widower of Veterans Grant Assistance program create:

- A tax shift
- A tax lien
- Neither one



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# Senior Citizen / People with Disabilities Exemption Program

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Senior Citizen / People with Disabilities Exemption Program

## Overview

- Reduces tax due based on applicant's income threshold
  - Reduction – does not have to be repaid
- Generally results in a "tax shift"
- Establishes "frozen" taxable assessed value

RCW 84.36.379—RCW 84.36.389  
WAC 458-16A

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Senior Citizen / People with Disabilities Exemption Program

| Qualifications       | Senior Citizen / People with Disabilities Exemption Program  |
|----------------------|--|
| Age                  | 61 years old by Dec. 31 of assessment year. (year prior to taxes due)  |
| Disability           | OR disabled by SSA definition OR a Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated. |
| Occupancy/ Ownership | Must occupy property as principal residence. Must own or be purchasing.  |
| Income Limits        | 70% county median household income. (2024 taxes and forward)   |

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Senior Citizen / People with Disabilities Exemption

| Qualifications | Senior Citizen / People with Disabilities Exemption Program              |
|----------------|--|
| Age            | 61 years old by Dec. 31 of assessment year.<br>(year prior to taxes due) |

For participants who are currently on the program:

- Surviving spouse or domestic partner may continue the exemption
- Must be at least 57 years old in year of death
- Must otherwise meet program requirements

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Senior Citizen / People with Disabilities Exemption

| Qualifications | Senior Citizen / People with Disabilities Exemption Program   |
|----------------|---|
| Disability     | OR <b>disabled by SSA definition</b> OR a Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated. |

Substantial gainful activity

Social Security Administration determines annually the amount a claimant may earn without being considered "gainfully employed". There are separate limits for those who are blind.

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53 SSA definition

The inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.

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Senior Citizen / People with Disabilities Exemption

Substantial gainful activity

- For 2024, limits will be:
  - \$1,550 per month for non-blind
  - \$2,590 per month for blind
- Table on page 122 in the manual
- Annual update at <https://www.ssa.gov/OACT/COLA/sga.html>

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Senior Citizen / People with Disabilities Exemption

### Proof of Disability Award Letter

- Must contain date of disability
- Date of disability must be as of Dec. 31 of the assessment year (year prior)

**Example:**  
12/07/2020 could qualify for tax year 2021 and beyond

**Social Security Administration**  
Retirement, Survivors and Disability Insurance  
Notice of Award

Office of Central Operations  
1500 Woodlawn Drive  
Baltimore, Maryland 21241-1500  
Date: March 1, 2022  
Claim Number: xxx-xx-xxxxxx

Matthew Claimant  
123 Cleverland Lane  
Somewhere, NC 28096

You are entitled to monthly disability benefits beginning June 2021.

**The Date You Became Disabled**

We found that you became disabled under our rules on **December 7, 2020**. However, you have to be disabled for 5 full calendar months in a row before you can be entitled to benefits. For these reasons, your first month of entitlement to benefits is June 2021.

**What We Will Pay And When**

- You will receive \$7,356.00 on approximately March 7, 2022.
- This is the money you are due for June 2021 through February 2022.
- Your next payment of \$1,895.00, which is for March 2022, will be received on or about the second Wednesday of April 2022.
- After that, you will receive **\$1,065.00** on the second Wednesday of each month.
- These and any future payments will go to the financial institution you selected.

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Senior Citizen / People with Disabilities Exemption

| Qualifications | Senior Citizen / People with Disabilities Exemption Program   |
|----------------|---|
| Disability     | OR disabled by SSA definition OR a <b>Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated.</b> |

### VA Award Letter

- Must contain percentage of service-connected disability
- Must contain effective date of service-connected disability
- Date of disability must be as of Dec. 31 of the assessment year (year prior)

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Senior Citizen / People with Disabilities Exemption

### VA Award Letter



DEPARTMENT OF VETERANS AFFAIRS  
810 Vermont Ave NW  
Washington, D.C. 20420

July 1, 2021

John Michael Doe  
5445 Honor Drive  
Hope, AR 71802

In Reply Refer to:  
xxx-xx-4321  
27/eBenefits

Dear Mr. Doe,

This letter is a summary of benefits you currently receive from the Department of Veterans Affairs (VA). We are providing this letter to disabled Veterans to use in applying for benefits such as state or local property or vehicle tax relief, civil service preference, to obtain housing entitlements, free or reduced state park annual memberships, or any other program or entitlement in which verification of VA benefits is required. Please safeguard this important document. This letter is considered an official record of your VA entitlement.

Our records contain the following information:

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Senior Citizen / People with Disabilities Exemption

### Ownership

- Must own:
  - In fee
  - Life Estate (Lease for life)
  - Contract purchase
  - Cooperative housing share
  - Trust – Revocable or Irrevocable

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Senior Citizen / People with Disabilities Exemption

### Ownership

- Must own:
  - In fee
  - Life Estate (Lease for life)
  - Contract purchase
  - Cooperative housing share
  - Trust - Revocable or Irrevocable

**Trust ownership may qualify if:**

- It creates a life estate for the applicant
- Revocable/Irrevocable where applicant is settlor who granted self beneficial interest for life in residence
- Irrevocable where applicant has a life-time beneficial interest in residence
- Manual pages 106-110

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62 Trust review – Day 2

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Senior Citizen / People with Disabilities Exemption

### Ownership

**Can also be:**

- Partial ownership
- Inheritance – Will (devisee), intestate succession (heir) RCW 11.04.015
- Adverse Possession doctrine
- Spouses
- Parent/child
- Mobile/Manufactured Home

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Senior Citizen / People with Disabilities Exemption  
 RCW 84.36

### Ownership

Can also be:

- Partial ownership
- Inheritance – Will (devisee), intestate succession (heir) RCW 11.04.015
- Adverse Possession doctrine
- Spouses
- Parent/child
- Mobile/Manufactured Home

**RCW 21.35.005**  
definitions of devisee/heir

**Devisee**

- means any person designated in a will to receive a disposition of real or personal property

**Heir**

- means those persons, including the surviving spouse, who are entitled under the statutes of intestate succession to the property of a decedent

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Senior Citizen / People with Disabilities Exemption  
 RCW 84.36

### Ownership

Can also be:

- Partial ownership
- Inheritance – Will (devisee), intestate succession (heir) RCW 11.04.015
- Adverse Possession doctrine
- Spouses
- Parent/child
- Mobile/Manufactured Home

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Senior Citizen / People with Disabilities Exemption  
 RCW 84.36

| Qualifications | Senior Citizen / People with Disabilities Exemption Program  |
|----------------|--|
| Income Limits  | 70% county median household income. (2024 taxes and forward) |

Defined in RCW 84.36.383 and WAC 458-16A-100

- **Current:**
  - equal to the greater of "income threshold 3" for the previous year or 70 percent of the county median household income
  - Next adjustment: assessment year 2026 for tax year 2027
- **2020 - 2023:**
  - equal to the greater of "income threshold 3" for the previous year or 65 percent of the county median household income
- **2016 - 2019:**
  - \$40,000 Combined Disposable Income (fixed amount for all counties)

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66 In depth income review – Day 2

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Senior Citizen / People with Disabilities Exemption

## Program Benefits

- Frozen Value
- Exemption Levels
- Transfer Exemption

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Senior Citizen / People with Disabilities Exemption

## Program Benefits

- Frozen Value
- Exemption Levels
- Transfer Exemption

- Value is frozen as of January 1 of the application year of first qualification (page 36 in manual)
- Exemption is applied to lower of frozen value or assessor's market value
- Only changes are for:
  - New construction
  - Addition/reduction of ADU (beginning TY2025)
  - Addition/reduction in allowable acreage
  - Destroyed property
  - Sale, transfer, change in use

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Senior Citizen / People with Disabilities Exemption

## Program Benefits

- Frozen Value
- Exemption Levels
- Transfer Exemption

- Exemption level is based on combined disposable income of the applicant, the applicant's spouse or domestic partner, and any co-tenants.
- Three different levels of exemption, tiered based on income threshold limits

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Senior Citizen / People with Disabilities Exemption  
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### Program Benefits

Tax year 2020 and forward:

| Income Thresholds  | Level of Exemption  |
|--------------------|---|
| Income Threshold 3 | Exempt from 100% of excess levies and 100% of Part 2 of state school levy   |
| Income Threshold 2 | Exempt from regular property taxes and Part 1 of state school levy on \$50,000 or 35% of the value whichever is greater, not to exceed \$70,000<br><br><i>*Plus excess/special levies from Income Threshold 3</i> |
| Income Threshold 1 | Exempt from regular property taxes and Part 1 of state school levy on \$60,000 or 60% of the value whichever is greater<br><br><i>*Plus excess/special levies from Income Threshold 3</i>                         |

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Senior Citizen / People with Disabilities Exemption  
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### Program Benefits

Prior to tax year 2020 (ex. TY2018 & TY2019)

| Income Thresholds   | Level of Exemption  |
|---------------------|---|
| \$35,001 - \$40,000 | Exempt from 100% of excess levies and 100% of Part 2 of state school levy   |
| \$30,001 - \$35,000 | Exempt from regular property taxes and Part 1 of state school levy on \$50,000 or 35% of the value whichever is greater, not to exceed \$70,000<br><br><i>*Plus excess/special levies from Income Threshold 3</i> |
| \$0 - \$30,000      | Exempt from regular property taxes and Part 1 of state school levy on \$60,000 or 60% of the value whichever is greater<br><br><i>*Plus excess/special levies from Income Threshold 3</i>                         |

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Senior Citizen / People with Disabilities Exemption  
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### Program Benefits

- > Frozen Value
- > **Exemption Levels**
- > Transfer Exemption

No reduction/exemption on Special Assessments  
**Except** Fire Protection Benefit Assessments/Charges

- WAC 458-16A-140(2)
- Made by a fire protection district, regional fire protection service authority, or by a city or town
- Assessment/charge is reduced by 25%, 50%, or 75% depending on CDI income threshold

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Senior Citizen / People with Disabilities Exemption

## Program Benefits

- > Frozen Value
- > Exemption Levels
- > **Transfer Exemption**

RCW 84.36.381

- > (1)(a) However, any person who sells, transfers, or is displaced from his or her residence may transfer his or her exemption status to a replacement residence, but no claimant may receive an exemption on more than one residence in any year.
- > (6)(a) 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.
  - ❖ WAC 458-16A-140(7)(c)
  - ❖ WAC 458-16A-150(2)(c) & (5)

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Senior Citizen / People with Disabilities Exemption

## Roles & Responsibilities

- Educate public – Department & County Assessor
- County Assessor approves or denies and has full responsibility for administering
- County Treasurer bills/collects based on reduced tax amount
- Appeals are made to local BOE – then BTA
- Department of Revenue has an advisory role only

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Senior Citizen / People with Disabilities Exemption

## Applications

- Applications due December 31<sup>st</sup> of the assessment year
- Application is made based on anticipated income in the assessment year
- Assessor may require documentation of actual income prior to May 31<sup>st</sup> of year following application – RCW 84.36.381(4)(e)

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**Question Time!**

How does your county administer applications?

- Applications due 12/31 of assessment year, based on estimated income from assessment year
- "Late" applications in the tax year, based on actual income from assessment year



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**Applications**

Senior Citizen / People with Disabilities Exemption

- Signature
  - 2020 tax year and before by applicant in presence of 2 witnesses or county Assessor/Deputy
  - 2021 tax year and after by applicant under oath
- Assessor may accept late applications WAC 458-16A-140(3)(c)
  - Regardless of whether taxes have been levied, paid, or become delinquent

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**Applications**

Senior Citizen / People with Disabilities Exemption

- Taxpayer may apply late – WAC 458-16A-135(2)
  - Prior year exemption requests must be filed as separate applications for each year
  - Applicant must meet eligibility for each year as if the application had been filed timely
  - No limit to prior years if tax is unpaid
  - Refunds limited to 3 years from date the taxes were due – WAC 458-16A-135(2) and RCW 84.69.030

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Senior Citizen / People with Disabilities Exemption

## Applications

- Upon approval:
  - Value is frozen as of January 1 of the application/assessment year (the year before the tax is due)
  - Correct level of exemption applied
  - Placed on renewal cycle
- Denials must be in writing and must advise the applicant of reason for denial and appeal rights

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Senior Citizen / People with Disabilities Exemption

## Applications - Renewal

RCW 84.36.385(3) and WAC 458-16A-150(2)

- Renewal required at least once every 6 years
  - Assessor must notify taxpayer of requirement to renew
  - If applicant no longer meets qualifications, exemption must be removed
  - If applicant received exemption in prior years based on erroneous information, taxes must be collected subject to penalties
    - as provided in RCW 84.40.130
    - period not to exceed five years

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80 Erroneous information – when they sign the application, they are confirming that the information is true & correct – this is the penalty of perjury clause. Also, they confirm that it is their responsibility to notify the assessor of status changes and any exemption granted through incorrect information is subject to the correct tax being assessed, plus a 100% penalty.

Senior Citizen / People with Disabilities Exemption

## Applications – Change in Status

RCW 84.36.385(2) and WAC 458-16A-150(3)

- Taxpayer must notify assessor of a change in status - anything that affects entitlement to or level of exemption
  - Death of someone currently receiving the exemption
  - Change in marital status
  - Move to a different primary residence that you own
  - Move to another home, nursing home or assisted living facility – even if temporary
  - Sale or transfer of the primary residence
  - Do not physically occupy the primary residence for more than 6 months during a calendar year
  - Change in disability status (no longer disabled or have entered into gainful employment)
  - Change in income - **ONLY** if it will affect the exemption status you are currently receiving.

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Senior Citizen / People with Disabilities Exemption

## Applications – Loss of Exemption

Loss of Exemption

- Sale of property
- Death of applicant – unless there is a surviving spouse/domestic partner eligible to assume
  - must be 57 in year applicant died
  - must apply and meet program requirements
- Portion of property removed
- No longer principal place of residence
- No longer meets income or other qualifications

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Senior Citizen / People with Disabilities Exemption

## Applications – Loss of Exemption

Loss of Exemption

- For changes that occur in the assessment year (i.e.: 2024), the exemption would be removed for the following tax year (i.e.: 2025).
- Exception – anything that changes ownership (death, interest transfer, sale). Exemption is terminated as of the ownership change.

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## Questions?

Senior Citizen / People with Disabilities Exemption Program

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**Question Time!**

- What is your county renewal cycle?
- Renewal Cycle – every year
- Renewal Cycle – 2 years
- Renewal Cycle – 3 years
- Renewal Cycle – 4 years
- Renewal Cycle – 5 years
- Renewal Cycle – 6 years



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**Senior Citizen / People with Disabilities Deferral Program**

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**Overview**

- Postpones payment of property taxes
- Department pays property taxes and charges interest (5% annually)
- Prior year applications accepted – must meet ownership requirement only
- No limit to prior years if tax is unpaid
- Repayment of deferral balance is voluntary until a canceling event occurs and then it becomes mandatory

RCW 84.38  
WAC 458-18

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Interest rates – hard coded in statute  
 5% annually for deferrals made 2007 and after  
 8% annually for deferrals made 2006 and prior

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Senior Citizen / People with Disabilities Deferral Program

- Postpones payment of property taxes
- Department pays property taxes and charges interest (3% annually)
- Prior year applications accepted – must meet ownership requirement only
- No limit to prior years if tax is unpaid
- Repayment to DOR voluntary until canceling event then it is mandatory

**Interest Rate**

Hard coded in statute (RCW 84.38.100)

5% annually for deferrals made 2007 and after

8% annually for deferrals made 2006 and prior

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Senior Citizen / People with Disabilities Deferral Program

| Qualifications       | Senior Citizen / People with Disabilities Deferral Program                     |
|----------------------|--|
| Age                  | 60 years old by Dec. 31 of the filing year. (tax year)                         |
| Disability           | OR disabled by SSA definition.   |
| Occupancy/ Ownership | Must occupy property as principal residence. Must own (on title).              |
| Income Limits        | 75% county median household income. (2024 taxes and forward)                   |
| Equity               | Must have sufficient equity to protect the interest of the State of Washington |

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Senior Citizen / People with Disabilities Deferral Program

| Qualifications | Senior Citizen / People with Disabilities Deferral Program |
|----------------|--|
| Age            | 60 years old by Dec. 31 of the filing year. (tax year)     |

For participants who are currently on the program:

- Surviving spouse, domestic partner, heir or devisee may continue the exemption
- Must be at least 57 years old in year of death
- Must otherwise meet program requirements

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| Qualifications       | Senior Citizen / People with Disabilities Deferral Program                     |
|----------------------|--|
| Age                  | 60 years old by Dec. 31 of the filing year. (tax year)                         |
| Disability           | OR disabled by SSA definition.   |
| Occupancy/ Ownership | Must occupy property as principal residence. <b>Must own (on title).</b>       |
| Income Limits        | 75% county median household income. (2024 taxes and forward)                   |
| Equity               | Must have sufficient equity to protect the interest of the State of Washington |

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91 Must own as of the time a timely filing would have been due  
 Must own:  
 In fee  
 Contract purchase

Occupancy/ Ownership Must occupy property as principal residence. **Must own (on title).**

Ownership

What does **NOT** meet the ownership requirement for the deferral?

- Cooperative housing
- Life estate
- Lease for life
- Revocable trust
- Irrevocable trust **may** qualify

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92 Just to note: this is the same for the Limited Income Deferral program

Ownership

What does **NOT** meet the ownership requirement for the deferral?

- Cooperative housing
- Life estate
- Lease for life
- Revocable trust
- **Irrevocable trust may qualify**

For an Irrevocable trust to qualify, it must be:

- Expressly not revocable
- Applicant is trustee or beneficiary
- Applicant has a life-time beneficial interest in the residence
- No spendthrift clause preventing encumbrance of trust assets

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93 this is the same for the Limited Income Deferral program

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.

**Ownership**

**Can also be:**

- Partial ownership
- Inheritance – Will (devisee), intestate succession (heir) RCW 11.04.015
- Adverse Possession doctrine
- Spouses
- Parent/child
- Mobile/Manufactured Home

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94 Just like the exemption program, ownership for both deferral programs can be any of the above

| Qualifications | Senior Citizen / People with Disabilities Deferral Program                     |
|----------------|--|
| Equity         | Must have sufficient equity to protect the interest of the State of Washington |

**Equity Requirement**

- The maximum dollar amount of deferred taxes allowable on a parcel is limited by the applicant's equity in that property.
- Equity = most current assessed value (-) all liens and encumbrances against the property

As soon as your value notices are mailed, you should use that as current value. (Manual pg. 61 – 62)

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**Equity Requirement**

- The maximum dollar amount of deferred taxes allowable on a parcel is limited by the applicant's equity in that property.
- Equity = most current assessed value (-) all liens and encumbrances against the property

| Homeowners insurance? | State listed as Loss Payee? | Maximum Allowable Deferral                  |
|-----------------------|-----------------------------|---|
| Yes                   | Yes                         | 80% of equity value in improvement and land |
| Yes                   | No                          | 100% of equity in land value only           |
| No                    | No                          | 100% of equity in land value only           |

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Senior Citizen / People with Disabilities Deferral

### Equity Example – Full Ownership (New Deferral Applicant)

| New Deferral Applicant                         | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                 | 75,000                 | 75,000                     |
| Improvement Value (+)                          | 250,000                | -----                      |
| <b>Total Value (=)</b>                         | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                 | 25,000                 | 25,000                     |
| <b>Total Equity (=)</b>                        | <b>300,000</b>         | <b>50,000</b>              |
| Percent of Equity Allowed (*)                  | 80%                    | 100%                       |
| <b>Total Amount Available for Deferral (=)</b> | <b>240,000</b>         | <b>50,000</b>              |

What if the applicant had a larger lien/encumbrance balance?

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Senior Citizen / People with Disabilities Deferral

### Equity Example – Full Ownership (New Deferral Applicant)

| New Deferral Applicant                         | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                 | 75,000                 | 75,000                     |
| Improvement Value (+)                          | 250,000                | -----                      |
| <b>Total Value (=)</b>                         | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                 | <b>200,000</b>         | <b>200,000</b>             |
| <b>Total Equity (=)</b>                        | <b>125,000</b>         | <b>-125,000</b>            |
| Percent of Equity Allowed (*)                  | 80%                    | 100%                       |
| <b>Total Amount Available for Deferral (=)</b> | <b>100,000</b>         | <b>-125,000</b>            |

In order for the applicant with no homeowner's insurance and/or no loss payee to defer their taxes, they will need to obtain homeowner's insurance AND have the DOR added as a loss payee.

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Senior Citizen / People with Disabilities Deferral

### Equity Example – Full Ownership (Renewal Deferral Applicant)

Renewal applicant that has been deferring since 1999

| New Deferral Applicant                             | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                     | 75,000                 | 75,000                     |
| Improvement Value (+)                              | 250,000                | -----                      |
| <b>Total Value (=)</b>                             | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                     | 25,000                 | 25,000                     |
| <b>Total Equity (=)</b>                            | <b>300,000</b>         | <b>50,000</b>              |
| Percent of Equity Allowed (*)                      | 80%                    | 100%                       |
| <b>Amount Available for Deferral (=)</b>           | <b>240,000</b>         | <b>50,000</b>              |
| Existing Deferral Principal Balance (-)            | 26,175                 | 26,175                     |
| DOR Interest (-)                                   | 27,390                 | 27,390                     |
| <b>Remaining Amount Available for Deferral (=)</b> | <b>186,435</b>         | <b>-3,565</b>              |

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Senior Citizen / People with Disabilities Deferral



### Equity Requirement – Partial Ownership

- Equity is based on applicant's share of the value minus ALL liens and encumbrances.
- Can defer full tax when there is enough equity
- Equity = Applicants share (i.e. 50%) of most current assessed value (-) ALL liens and encumbrances against the property

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Senior Citizen / People with Disabilities Deferral



### Equity Example – Full Ownership

| New Deferral Applicant                   | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                           | 75,000                 | 75,000                     |
| Improvement Value (+)                    | 250,000                | -----                      |
| <b>Total Value (=)</b>                   | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)           | 50,000                 | 50,000                     |
| <b>Total Equity (=)</b>                  | <b>275,000</b>         | <b>25,000</b>              |
| Percent of Equity Allowed (*)            | 80%                    | 100%                       |
| <b>Amount Available for Deferral (=)</b> | <b>220,000</b>         | <b>25,000</b>              |

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Senior Citizen / People with Disabilities Deferral



### Equity Example – Partial Ownership

Applicant's ownership is 50%

| New Deferral Applicant                   |               | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|---------------|------------------------|----------------------------|
| Land Value (+)                           | (75,000 / 2)  | 37,500                 | 37,500                     |
| Improvement Value (+)                    | (250,000 / 2) | 125,000                | -----                      |
| <b>Total Value (=)</b>                   |               | <b>162,500</b>         | <b>37,500</b>              |
| Total Liens / Encumbrances (-)           |               | 50,000                 | 50,000                     |
| <b>Total Equity (=)</b>                  |               | <b>112,500</b>         | <b>-12,500</b>             |
| Percent of Equity Allowed (*)            |               | 80%                    | 100%                       |
| <b>Amount Available for Deferral (=)</b> |               | <b>80,000</b>          | <b>-12,500</b>             |

In order for the applicant with no homeowner's insurance and/or no loss payee to defer their taxes, they will need to obtain homeowners insurance AND have the DOR added as a loss payee.

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Senior Citizen / People with Disabilities Deferral

## Applications

- Applicant **must** apply for exemption if eligible
  - WAC 458-18-020(2)(f)
- Applications due annually, 30 days before tax due date
- Use DOR forms
- Department has authority to waive the due date
  - typically a blanket waiver
- Applications are accepted, approved, and processed all year long

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Senior Citizen / People with Disabilities Deferral

## Applications

- Signed by applicant as well as any others with an ownership interest in the property
- May request to defer both current and delinquent taxes on same application
  - must meet current year eligibility only – but must have ownership interest in the delinquent years

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Senior Citizen / People with Disabilities Deferral

## Applications

Assessor role

If application is **approved**:

- Notify treasurer or assessment district of pending deferral and request tax and/or special assessment statement
- Forward a copy of application packet to DOR

If application is **denied**:

- Issue a written denial letter
  - provide a reason for denial
  - include information on appeal rights

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Senior Citizen / People with Disabilities Deferral

### Applications – Approved only

- DOR authorizes payment by State of Washington
  - Full year taxes and/or special assessments
  - Can authorize payment for prior years
  - Must have had an ownership interest in the year tax/special assessment originally due
  - Special assessments must be on installment plan if available

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Senior Citizen / People with Disabilities Deferral

### Roles & Responsibilities

#### County Assessor

- Educate public – point of contact
- Approves or denies
  - Procedures similar to those used for exemptions
- Sends renewal applications to persons who deferred in prior tax year
- Notifies DOR of canceling events – more discussion later on this subject
- Appeals are made to local BOE

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Senior Citizen / People with Disabilities Deferral

### Roles & Responsibilities

#### County Treasurer

- Provides tax statement
- Foreclosure process for collection

#### County Board of Equalization

- Hears taxpayer appeals of county assessor decisions
  - Final decision-not appealable beyond BOE

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Senior Citizen / People with Disabilities Deferral

## Roles & Responsibilities

Department of Revenue

- Acts in advisory role
  - Assessors
  - Treasurers
  - Taxpayers
- Has authority to audit applications

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Senior Citizen / People with Disabilities Deferral

## Roles & Responsibilities

Department of Revenue

- Administers after approval
  - Files liens
  - Requests payments from Office of State Treasurer (OST) to counties/taxing districts
  - Maintains accounts receivable
  - Provides annual reports to assessors and treasurers
  - Collects account balances

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Senior Citizen / People with Disabilities Deferral

## Collection of Deferred Tax

Repayments made directly to DOR

- Voluntary repayments may be made at any time and in any amount
- If a canceling event occurs, then repayment becomes mandatory



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Senior Citizen / People with Disabilities Deferral

### Collection of Deferred Tax

Deferred tax plus interest must be repaid if a canceling event happens:

- Ownership is transferred
- No longer principal residence
- Negative equity
- Applicant dies – unless surviving spouse, domestic partner, heir/devisee qualifies and elects to continue
- Property is condemned



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Senior Citizen / People with Disabilities Deferral

### Collection of Deferred Tax

We count on you!

Please let us know if you hear of any canceling event situations.



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Senior Citizen / People with Disabilities Deferral

### Question Time!

What does your deferral application count look like annually?

- 0
- 1-5
- 6-10
- 11-15
- 16-20
- 21-25
- 26-30
- 30+



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Senior Citizen / People with Disabilities Deferral

## Foreclosure Action

RCW 84.64.050(6) offers some protection from foreclosure

- 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.
- Senior Citizen/People with Disabilities deferral **ONLY** - does NOT apply to Limited Income deferral

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Senior Citizen / People with Disabilities Deferral

## Foreclosure Action

What if the parcel has been segregated and the non-eligible portion still has delinquent tax?

- Generally speaking, when the delinquent parcel is not a separate legal parcel and foreclosure requires including the portion of the parcel that is eligible for deferral, the statutory provision provides protection for the taxpayer and prohibits foreclosure action.
- Legally, there are ways for the county to legally segregate the parcel into multiple legal parcels and then foreclose on the parcel w/delinquencies. DOR does not advise either way - consult with prosecuting attorney.

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Senior Citizen / People with Disabilities Deferral

## Foreclosure Action

How should you treat deferral account balances during the foreclosure process?

- RCW 84.64.050(3)
  - Include deferral balances in the minimum bids on the Certificate of Delinquency.
  - Use the list sent in January or updated list upon request
- RCW 84.60.010
  - Deferral liens have same priority as tax lien.

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Senior Citizen / People with Disabilities Deferral Program

## Foreclosure Action



RCW 84.64.060

- Payment to redeem property may not include the deferral balance if the account is not in collection status under RCW 84.37.080 or 84.38.130.
- Payment to redeem property must include the deferral balance if the account is in collection status under RCW 84.37.080 or 84.38.130

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Senior Citizen / People with Disabilities Deferral Program

## Foreclosure Action



How will you know the account is in collection status under RCW 84.37.080 or 84.38.130?

- The report sent in January shows "In Collection Status" and/or
- DOR requests foreclosure action
  - Sends written request in the form of a letter stating DOR has been unable to collect

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## Questions?

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**Question Time!**

What is the significance of a "spendthrift" clause?

- Prevents encumbrance
- A lien cannot be filed
- Unable to secure the State's interest
- DOR cannot pay the property tax
- None of the above
- All of the above



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121 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.

Limited Income Deferral Program

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Limited Income Deferral Program

**Overview**

- Postpones payment of second half of property taxes due for current year ONLY
- First half taxes due (on April 30) must already have been paid
- Department pays property taxes and charges interest (6% for 2024 - adjusted annually)
- Repayment of deferral balance is voluntary until a canceling event occurs and then it becomes mandatory

RCW 84.37  
WAC 458-18A



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Limited Income Deferral Program

### Equity Requirement

- The maximum dollar amount of deferred taxes allowable on a parcel is limited by the applicant's equity in that property.
- Equity = most current assessed value (-) all liens and encumbrances against the property

| Homeowners insurance? | State listed as Loss Payee? | Maximum Allowable Deferral                  |
|-----------------------|-----------------------------|---|
| Yes                   | Yes                         | 40% of equity value in improvement and land |
| Yes                   | No                          | 100% of equity in land value only           |
| No                    | No                          | 100% of equity in land value only           |

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Limited Income Deferral Program

### Equity Example – Full Ownership (New Deferral Applicant)

| New Deferral Applicant                         | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                 | 75,000                 | 75,000                     |
| Improvement Value (+)                          | 250,000                | -----                      |
| <b>Total Value (=)</b>                         | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                 | 25,000                 | 25,000                     |
| <b>Total Equity (=)</b>                        | <b>300,000</b>         | <b>50,000</b>              |
| Percent of Equity Allowed (*)                  | 40%                    | 100%                       |
| <b>Total Amount Available for Deferral (=)</b> | <b>120,000</b>         | <b>50,000</b>              |

What if the applicant had a larger lien/encumbrance balance?

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Limited Income Deferral Program

### Equity Example – Full Ownership (New Deferral Applicant)

| New Deferral Applicant                         | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                 | 75,000                 | 75,000                     |
| Improvement Value (+)                          | 250,000                | -----                      |
| <b>Total Value (=)</b>                         | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                 | 200,000                | 200,000                    |
| <b>Total Equity (=)</b>                        | <b>125,000</b>         | <b>-125,000</b>            |
| Percent of Equity Allowed (*)                  | 40%                    | 100%                       |
| <b>Total Amount Available for Deferral (=)</b> | <b>50,000</b>          | <b>-125,000</b>            |

In order for the applicant with no homeowner's insurance and/or no loss payee to defer their taxes, they will need to obtain homeowners insurance AND have the DOR added as a loss payee.

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Limited Income Deferral Program

### Equity Requirement – Partial Ownership

- Equity = Applicants share of value minus ALL liens and encumbrances against the property
- NOTE:** can defer 50% of tax bill on eligible property if equity is sufficient

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Limited Income Deferral Program

### Equity Example – Full Ownership

| New Deferral Applicant                         | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|------------------------|----------------------------|
| Land Value (+)                                 | 75,000                 | 75,000                     |
| Improvement Value (+)                          | 250,000                | -----                      |
| <b>Total Value (=)</b>                         | <b>325,000</b>         | <b>75,000</b>              |
| Total Liens / Encumbrances (-)                 | 25,000                 | 25,000                     |
| <b>Total Equity (=)</b>                        | <b>300,000</b>         | <b>50,000</b>              |
| Percent of Equity Allowed (*)                  | 40%                    | 100%                       |
| <b>Total Amount Available for Deferral (=)</b> | <b>120,000</b>         | <b>50,000</b>              |

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Limited Income Deferral Program

### Equity Example – Partial Ownership

Applicant's ownership is 50%

| New Deferral Applicant                   |               | Insurance & Loss Payee | No Insurance No Loss Payee |
|--|---------------|------------------------|----------------------------|
| Land Value (+)                           | (75,000 / 2)  | 37,500                 | 37,500                     |
| Improvement Value (+)                    | (250,000 / 2) | 125,000                | -----                      |
| <b>Total Value (=)</b>                   |               | <b>162,500</b>         | <b>37,500</b>              |
| Total Liens / Encumbrances (-)           |               | 50,000                 | 50,000                     |
| <b>Total Equity (=)</b>                  |               | <b>112,500</b>         | <b>-12,500</b>             |
| Percent of Equity Allowed (*)            |               | 40%                    | 100%                       |
| <b>Amount Available for Deferral (=)</b> |               | <b>45,000</b>          | <b>-12,500</b>             |

In order for the applicant with no homeowner's insurance and/or no loss payee to defer their taxes, they will need to obtain homeowners insurance AND have the DOR added as a loss payee.

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Limited Income Deferral Program

## Applications

- Applications are due to the Assessor annually by September 1
- Use DOR forms
- Must be signed by applicant as well as any others with an ownership interest in the property
- Department has authority to waive the due date
  - Only for "good cause"

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Limited Income Deferral Program

## Applications

- Department has authority to waive the due date
  - Only for "good cause"

WAC 458-18A-010(9) defines "good cause" as factors peculiar to each claimant.

- Factors outside of applicant's control which would prevent a reasonable person from filing a timely application
- Acting or failing to act based on written advice from someone on whom they should normally rely

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Limited Income Deferral Program

## Applications

- Department has authority to waive the due date
  - Only for "good cause"

- Severe weather conditions preventing safe travel
- Incapacity due to illness or injury
- Other factors of similar gravity

**Note:** Inadvertence or oversight is not a basis for a "good cause" extension of the filing deadline.

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Limited Income Deferral Program

## Applications

Assessor role

If application is **approved**:

- Notify treasurer or assessment district of pending deferral and request 50% tax and/or special assessment statement
- Forward a copy of application packet to DOR

If application is **denied**:

- Issue a written denial letter
  - provide a reason for denial
  - include information on appeal rights

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Limited Income Deferral Program

## Applications – Approved Only

DOR authorizes payment by State of Washington

- 50% property tax due October 31

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## Questions?

Limited Income Deferral Program

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**Question Time!**

What is the interest rate for the Limited Income Deferral Program?

- 2%
- 3%
- 4%
- 5%
- 6%
- 7%
- 8%



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**Application Processing:  
Both Deferral Programs**

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**Overview – General Guidelines**

- Senior Citizen/People with Disabilities Deferral – procedures begin on page 68 in manual
- Limited Income Deferral – page 82 in the manual
- **January** – mail renewal declarations to those taxpayers who deferred in the previous tax year



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**Application processing**

Assign deferral account number:

- In the "County use only" area at the top of Page 1 – enter "Deferral number"
- Must be in following format for our software systems:  
## - ####
- First 2 digits are county code: 01 – 39, in alpha order (i.e. Adams is 01 and Yakima is 39).
- Last 4 digits are next consecutive deferral number in your county (0001 – 9999)

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**Application Processing**

Best Practice

- Deferral number log

We don't keep a running log of your deferrals, so please keep a list so you can pick the next available number!

| Deferral Number | Taxpayer Name   |
|-----------------|-----------------|
| 17-0200         | Smith, Jane     |
| 17-0201         | Burns, Tim      |
| 17-0202         | Miller, Matthew |
| 17-0203         | Snow, Larry     |
| 17-0204         |                 |
| 17-0205         |                 |
| 17-0206         |                 |
| 17-0207         |                 |
| 17-0208         |                 |
| 17-0209         |                 |
| 17-0210         |                 |
| 17-0211         |                 |
| 17-0212         |                 |
| 17-0213         |                 |
| 17-0214         |                 |
| 17-0215         |                 |

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**Application Processing**

Verify the following:

- Age/Disability, Ownership, occupancy, and income
- Tax years/special assessments requested to be paid are clearly identified
- All sections of form have been completed correctly

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**Application Processing**

Verify the following:

- Applicant listed January 1 balance for liens and mortgages and amounts listed are correct - verified by documentation provided by applicant
- Insurance information – make sure applicant understands if DOR is NOT listed as a “loss payee” the value of the dwelling will not be included in the equity calculation

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**Application Processing**

Verify the following:

- Parcel size and zoning/land use requirements – make sure applicable part of application is complete (Part 3 – LI; Part 4 – Senior)\*
- Manufactured home ownership – applicant must provide documentation showing they are the registered owner on DOL records or title has been eliminated

\*new applications

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**Application Processing**

Verify the following:

- Application is signed by mortgage company/lender if required
  - Senior/Disabled program only
- Application is signed by **ALL** owners of interest
  - applicant, applicant’s spouse or domestic partner, power of attorney, co-tenants, and any other owners of interest

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Application Processing

- Next:
  - Do preliminary equity calculation – if equity requirement is not met, DOR will return application to you for denial.

Do you want the equity calculation to be added back onto the deferral forms?

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Application Processing

- Next:
  - Complete administrative segs before approval - include corrected parcel numbers and/or legal descriptions with application packet sent to DOR
    - **Note:** DOR files a lien on the entire legal parcel unless the taxpayer specifically requests that the lien only cover the eligible property

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Application Processing

- Next:
  - Complete corrections to tax roll for new exemptions or changes in status for existing exemptions – include corrected tax statement with application packet sent to DOR
    - **Note:** DOR pays interest through the last day of the month in which the application is approved by the assessor's office

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Application Processing



Approve or Deny

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Application Processing

- Denial:
  - Notify applicant in writing
  - Include reason for denial
  - Include information on appeal rights and procedures for submitting appeal
  - Form 64 0090 is correct appeal form

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152 Form 64 0090 says: "Review Of Senior Citizen/Disabled Person Exemption Or Deferral Determination" – OK for LI Deferral appeals

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Application Processing

- Approval:
  - Complete the "County use only" area at top of Page 1 – enter approved date & processed by
  - Request tax statement from treasurer (for delinquent years – request interest through end of assessor's approval month)
  - Use the checklist in the manual pg. 72 & 89 to make sure you remembered everything

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Application Processing

- Approval:
  - Send copy of approved application to DOR, keep original for your files
    - Email in pdf format
      - mydeferral@dor.wa.gov
      - separate document for each application
      - make sure it's legible
      - send secure-optional
    - Regular mail

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Application Processing

- Include** the following with the copy sent to DOR:
  - Insurance documentation if provided
  - For new applicants:
    - copy of deed with full legal description
    - Manufactured/mobile home info
  - Tax and/or special assessment statement(s)
  - Copies of other applicable information
    - Trusts or other ownership docs, POA's, etc.

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Questions?

Application Processing: Both Deferral Programs

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**Question Time!**

How are you feeling on the equity calculation portion for the deferrals?

- Very confident – I've got this!
- Confident – I'm pretty sure.
- Somewhat confident – I'm ok.
- Not really confident – I'm not sure.
- Not confident at all – I don't got this!



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**Reports – Deferral Programs**

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**Reports**

Year-end reports

- 6 reports
- 3 for each program

We will send year-end reports for both deferral programs

- Mid-January



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Reports – Deferral Programs

## Reports

- **Active Deferral Account Reports:**
  - List of all active deferral accounts and 12/31 balances for the year just ended
    - Limited Income Deferral Active Accounts
    - Senior/Disabled Deferral Active Accounts
  - Review these lists to make sure our records match and the participant still owns the property.

WASHINGTON STATE DEPARTMENT OF REVENUE 160

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Reports – Deferral Programs

## Reports

- **Active Deferral Account Reports:**

Remember – we count on you!

If you see an active deferral account and find that the property has sold, an exemption has been removed, the owner passed away, etc., please let us know so we can pursue collection of the account balance.

WASHINGTON STATE DEPARTMENT OF REVENUE 161

161 Shout out to Pierce County on this one!

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Reports – Deferral Programs

## Reports

- **Prior Year Applicants:**
  - Limited Income Deferral Renewals
  - Senior/Disabled Deferral Renewals
- Use as mailing lists for renewal applications
  - Statutes require mailing renewal applications to applicants who deferred taxes in the prior year
    - RCW 84.37.050 and RCW 84.38.050
  - Reports list applicants who applied for and received a deferral last year and who still have an active account

WASHINGTON STATE DEPARTMENT OF REVENUE 162

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Reports – Deferral Programs

## Reports

- **Deferral Accounts Paid/Closed During prior year:**
  - Senior/Disabled Deferral Accounts Closed
  - Limited Income Deferral Accounts Closed
- If participants re-apply in the future, issue new deferral account number
  - Cannot re-use the old account number after the account is closed

WASHINGTON STATE DEPARTMENT OF REVENUE 163

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## Questions?

Reports – Deferral Programs WASHINGTON STATE DEPARTMENT OF REVENUE 164

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## Question Time!

If you see an active deferral account on the deferral report and find that the property has sold, an exemption has been removed, the owner passed away, etc., what do you do?

- Hide
- Cry
- Ignore it
- Let DOR know



WASHINGTON STATE DEPARTMENT OF REVENUE 165

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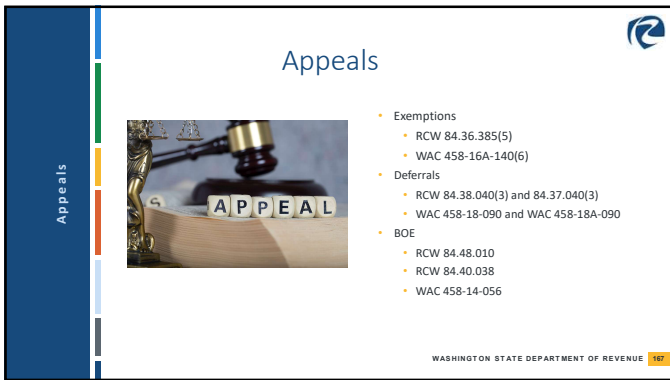
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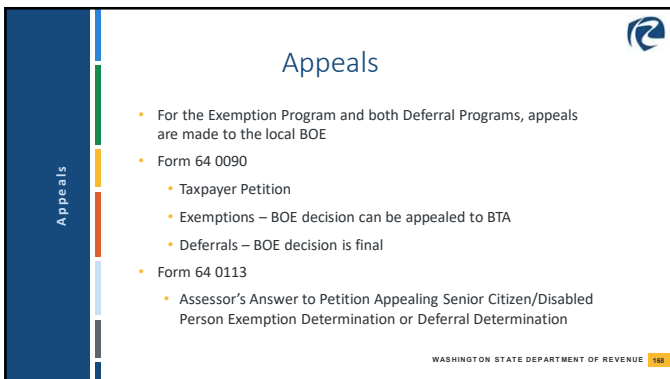
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Appeals

## Appeals

- When to file:
  - Within thirty days after determination notice has been mailed or transmitted electronically
  - Within sixty days after determination notice has been mailed or transmitted electronically if the longer time period is adopted by the county legislative authority

WASHINGTON STATE DEPARTMENT OF REVENUE 169

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Appeals

## Appeals

- What can be appealed?
  - Whether the taxpayer is entitled to an exemption or deferral
    - Denials
  - The amount of the exemption
    - Level of exemption
    - Portion of value covered by exemption

WASHINGTON STATE DEPARTMENT OF REVENUE 170

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Appeals

## Appeals

Reasons for the appeal can include any of the program requirements

- Age/disability
- Ownership
- Occupancy
- Portion of value covered by exemption
- Frozen value
- Combined disposable income (taxpayer disagrees with denial or with level of exemption)
- Sufficient equity (deferrals)

WASHINGTON STATE DEPARTMENT OF REVENUE 171

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Appeals

## Appeals

DOR BOE/Appeals Specialist

- Ashleigh Palmer
- (360) 534-1383
- [AshleighP@dor.wa.gov](mailto:AshleighP@dor.wa.gov)



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## Questions?

Appeals

WASHINGTON STATE DEPARTMENT OF REVENUE 173

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## Question Time!

An exemption applicant was denied and wants to appeal the Assessor's decision. What options for appealing do they have?

- None
- County BOE
- County BOE and State BTA



WASHINGTON STATE DEPARTMENT OF REVENUE 174

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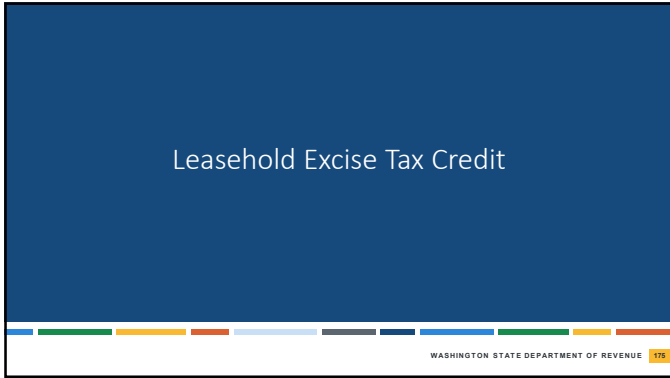
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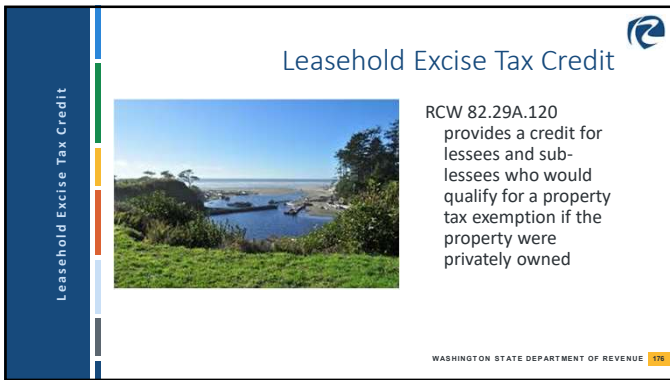
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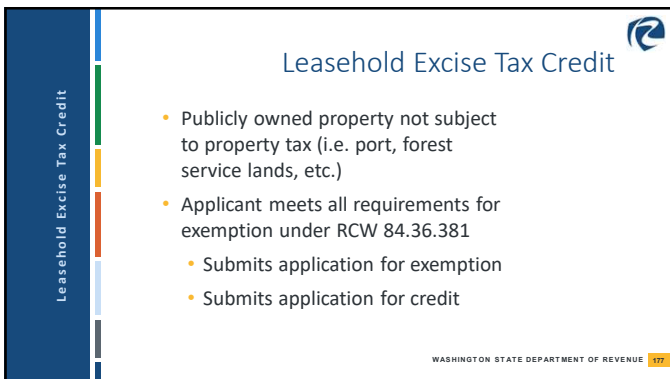
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Leasehold Excise Tax Credit

## Leasehold Excise Tax Credit

Assessor:

- Approves or denies exemption eligibility using same criteria as for any other exemption
- Completes "County Use" section of application for Leasehold Excise Tax Credit for Senior Citizens and Disabled Persons – form 64 0082

WASHINGTON STATE DEPARTMENT OF REVENUE 178

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Leasehold Excise Tax Credit

## Leasehold Excise Tax Credit

Taxpayer:

- Completes worksheet to calculate credit using form 86 0072
- Provides copy of approved exemption application and completed worksheet with Excise Tax Return

Department-TAA–Leasehold Excise Tax:

- Applies credit

WASHINGTON STATE DEPARTMENT OF REVENUE 179

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Leasehold Excise Tax Credit

## Leasehold Excise Tax Credit

Taxpayers must file annually to continue the credit.

- [http://dor.wa.gov/content/FindTaxesAndRates/OtherTaxes/tax\\_leasehold.aspx](http://dor.wa.gov/content/FindTaxesAndRates/OtherTaxes/tax_leasehold.aspx)
- Leasehold Excise Tax Credit Application Form Form 64 0082
- Leasehold Excise Tax Calculation Worksheet Form 86 0072



WASHINGTON STATE DEPARTMENT OF REVENUE 180

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A blue slide with a white question mark icon and the text "Questions?". At the bottom, it says "Leasehold Excise Tax Credit" and "WASHINGTON STATE DEPARTMENT OF REVENUE 181".

Leasehold Excise Tax Credit

WASHINGTON STATE DEPARTMENT OF REVENUE 181

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A blue slide with the text "Question Time!" and a question: "Are there any Leasehold Excise Tax Credits in your county?". Below the question are two bullet points: "• Yes" and "• No". To the right is an image of a calculator and a small house on a wooden surface with a sign that says "Property Tax". At the bottom, it says "WASHINGTON STATE DEPARTMENT OF REVENUE 182".

Question Time!

Are there any Leasehold Excise Tax Credits in your county?

- Yes
- No

Property Tax

WASHINGTON STATE DEPARTMENT OF REVENUE 182

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A blue slide with the text "Documentation, Confidential Taxpayer Information, Records Retention". At the bottom, it says "WASHINGTON STATE DEPARTMENT OF REVENUE 183".

Documentation, Confidential Taxpayer Information, Records Retention

WASHINGTON STATE DEPARTMENT OF REVENUE 183

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Documentation, Confidential Taxpayer Information.

## Documentation

WASHINGTON STATE DEPARTMENT OF REVENUE 184

- WAC 458-16A-135(5)(e)
- Keep necessary copies, not originals - except for affidavits
  - Documentation listed in rule
  - Any other documents required to demonstrate that the applicant meets the program requirements

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Documentation, Confidential Taxpayer Information.

## Documentation

**Ownership:**

- Copies of legal documents showing ownership when county records show otherwise
  - Examples – trusts, wills, death certificate

**Occupancy:**

- Driver's license
- Voter registration
- Other?

WASHINGTON STATE DEPARTMENT OF REVENUE 185

- Ownership:
- Copies of legal documents showing ownership when county records show otherwise
    - Examples – trusts, wills, death certificate
- Occupancy:
- Driver's license
  - Voter registration
  - Other?

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Documentation, Confidential Taxpayer Information.

## Documentation

**Age:**

- Driver's license or other ID
- Birth certificate

**Disability:**

- Written decision from:
  - Social Security
  - Department of Veterans Affairs
- Physician affidavit

WASHINGTON STATE DEPARTMENT OF REVENUE 186

- Age:
- Driver's license or other ID
  - Birth certificate
- Disability:
- Written decision from:
    - Social Security
    - Department of Veterans Affairs
  - Physician affidavit

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Documentation, Confidential, Taxpayer Information.

Age:

- Driver's license or other ID
- Birth certificate

Disability:

- Written decision from:
  - Social Security
  - Department of Veterans Affairs
  - **Physician affidavit**

### Documentation

**Physician affidavit (Proof of Disability – REV 64 0095):**

- States term of disability and that applicant is unable to enter into regular gainful employment
- Completed by:
  - Licensed physician or certified physician assistant
    - Medical or osteopath
  - Licensed or certified psychologist
  - Licensed podiatrist

WASHINGTON STATE DEPARTMENT OF REVENUE 187

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Documentation, Confidential, Taxpayer Information.

### Documentation

Income:

- Tax returns and supporting documents
  - 1099's, W-2's, etc.
- Other documents demonstrating source of funds for living expenses
  - Bank statements, public assistance, other income streams

WASHINGTON STATE DEPARTMENT OF REVENUE 188

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Documentation, Confidential, Taxpayer Information.

### Documentation

Deductions:

- Prescription drug printout or receipts if more than \$500
- Invoices for facility or in-home care
- Documents showing Medicare premiums paid

WASHINGTON STATE DEPARTMENT OF REVENUE 189

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Note: for Medigap supplemental insurance, the insurance card is not enough. The applicant should contact their medigap supplemental insurance plan and specifically ask if it is a Medigap Plan and what letter is it?

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Documentation, Confidential Taxpayer Information

### Confidential Taxpayer Information

Application form may not be disclosed

- Copy may be disclosed only if all income information is redacted
- Destroy or return documents used to verify age and income after review – WAC 458-16A-140(3)

RCW 84.36.389 allows disclosure of confidential income information only to DOR or in a judicial proceeding unless taxpayer gives written consent

WASHINGTON STATE DEPARTMENT OF REVENUE 190

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Documentation, Confidential Taxpayer Information

### Confidential Taxpayer Information

**Reminder!**

If you send documents to DOR, redact identifying information before sending.

WASHINGTON STATE DEPARTMENT OF REVENUE 191

191 Best practice

As mentioned on the prior slide, RCW 84.36.389 allows disclosure of confidential income information to DOR

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Documentation, Confidential Taxpayer Information

### Records Retention

Documents not used to verify age and income fall under regular retention schedule – manual page 118

- Each county should have records retention schedule
- If no approved schedule, contact Local Records Committee before destroying documents

WASHINGTON STATE DEPARTMENT OF REVENUE 192

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A blue slide with a white question mark icon and the text "Questions?". At the bottom, there is a footer with the text "Documentation, Confidential Taxpayer Information, Records Retention" and "WASHINGTON STATE DEPARTMENT OF REVENUE 193".

Questions?

Documentation, Confidential Taxpayer Information, Records Retention WASHINGTON STATE DEPARTMENT OF REVENUE 193

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A blue slide with the text "Question Time!" and a list of feedback options. To the right is an image of a calculator and a house-shaped sign that says "Property Tax". At the bottom, there is a footer with the text "WASHINGTON STATE DEPARTMENT OF REVENUE 194".

Question Time!

Day One content is done. How are you feeling so far?

- Great
- Good
- Ok – it's a lot of info to take in
- Confused – I have a few questions
- Not great – I need more help

WASHINGTON STATE DEPARTMENT OF REVENUE 194

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A blue slide with the text "Disposable Income". At the bottom, there is a footer with the text "WASHINGTON STATE DEPARTMENT OF REVENUE 195".

Disposable Income

WASHINGTON STATE DEPARTMENT OF REVENUE 195

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Disposable Income

## Disposable Income



**What is Disposable Income?**

For purposes of the property tax relief programs, "disposable income":

- was given a specific definition by the Legislature
- is independent of the federal income tax statutes
- federal "adjusted gross income" used for determining "taxable income" is only the starting point

WASHINGTON STATE DEPARTMENT OF REVENUE 196

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Disposable Income

## Disposable Income

RCW 84.36.383(6) and WAC 458-16A-100(13)

Disposable income is **adjusted gross income** as defined by IRS, **plus**, the following items to the extent that they are not included, or have been deducted, in determination of adjusted gross income.

WASHINGTON STATE DEPARTMENT OF REVENUE 197

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Disposable Income

## Disposable Income

RCW 84.36.383(6) and WAC 458-16A-100(13)

Disposable income is adjusted gross income as defined by IRS, **plus**, the following items to the extent that they are not included, or have been deducted, in determination of adjusted gross income.

- Capital Gains – except the capital gain from sale of primary residence to the extent that the gain was re-invested in a replacement primary residence – either before the sale of the former residence or within the same calendar year
- Amounts deducted for losses
- Depreciation
- Pension and annuity receipts

WASHINGTON STATE DEPARTMENT OF REVENUE 198

198 These are the list of items that are "added back". We will be going into each one in just a little bit.

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Disposable Income

## Disposable Income

RCW 84.36.383(6) and WAC 458-16A-100(13)

Disposable income is adjusted gross income as defined by IRS, plus the following items to the extent that they are not included, or have been deducted, in determination of adjusted gross income.

- Military pay and benefits – except attendant-care and medical-aid payments
- Veterans’ benefits – except attendant-care and medical-aid payments **AND** beginning with the **2008** income year, disability compensation and dependency and indemnity compensation paid by Department of Veterans’ Affairs

WASHINGTON STATE DEPARTMENT OF REVENUE 199

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Disposable Income

## Disposable Income

RCW 84.36.383(6) and WAC 458-16A-100(13)

Disposable income is adjusted gross income as defined by IRS, plus the following items to the extent that they are not included, or have been deducted, in determination of adjusted gross income.

- Social Security and railroad retirement benefits
- Dividends
- Interest on state and municipal bonds

WASHINGTON STATE DEPARTMENT OF REVENUE 200

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Disposable Income

## Disposable Income

### Tax Return Provided

- Start with Adjusted Gross Income as defined by IRS
- Make adjustments as required by RCW 84.36.383(6) and WAC 458-16A-100(13)

WASHINGTON STATE DEPARTMENT OF REVENUE 201

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Disposable Income

## Disposable Income

**No Tax Return Provided**

WAC 458-16A-110 and WAC 458-16A-115 provide instructions for calculating gross income and adjusted gross income when no tax return is provided.

WASHINGTON STATE DEPARTMENT OF REVENUE 202

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Disposable Income

## Disposable Income

Verification of federal records via IRS

- Form 4506 (copy of tax return)
- Form 4506-T (transcript only)
  - As of July 2019, no longer mail/fax to third party
  - Online transcript- <https://www.irs.gov/individuals/get-transcript>

WASHINGTON STATE DEPARTMENT OF REVENUE 203

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Disposable Income

## Disposable Income

Zero Income Reported

- WAC 458-16A-135(5)(e)(vi)(G) says: claimants “must have income to maintain themselves and their residences”
- Claimant must produce copies of documents demonstrating the sources and amounts of funds used for daily living expenses (i.e. checking account registers and bank statements; utility invoices; etc.)
- See manual for sample letter and questionnaire

WASHINGTON STATE DEPARTMENT OF REVENUE 204

204 A question to ask applicants: how do you meet your daily living expenses?

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Disposable Income

### Disposable Income

Mid-year Changes in Income (Income Average)

- Affecting 2 or more months of income/assessment year
- Retirement
- Death of spouse/domestic partner
- Other substantial changes in income likely to continue indefinitely

WASHINGTON STATE DEPARTMENT OF REVENUE 205

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Disposable Income

### Disposable Income

**MUST** calculate disposable income using average monthly income after mid-year change

- RCW 84.36.381(4)

This is not optional!

WASHINGTON STATE DEPARTMENT OF REVENUE 206

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Disposable Income

### Disposable Income

Use:

$$\frac{\text{Average monthly CDI after change}}{\quad} \times 12 = \text{Estimated CDI}$$

See manual – pages 122 – 123 for examples

WASHINGTON STATE DEPARTMENT OF REVENUE 207

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Note: some counties might do average monthly CDI and some might just take the source that was changed (ie: pension, ssa) and multiply that by 12.

Ok, now that we have reviewed the basics to disposable income, let's go into the items that would need to be added back if they were excluded or deducted from the AGI.

Disposable Income

### Disposable Income – Capital Gains

- Gain on sale of an asset
- Can be residence, business equipment, investment property, stocks, bonds, etc.

Capital Gain = (Sales Price Less Expenses) – (Adjusted Basis of Property Sold)

- Typically, already calculated for you on federal return
- See manual - pages 124 and 156

WASHINGTON STATE DEPARTMENT OF REVENUE 208

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Disposable Income

### Disposable Income – Capital Gains

- Capital Gain – sale of personal residence
  - Federal adjusted gross income—current IRS rules allow exclusion of up to \$250,000 gain on sale of personal residence (\$500,000 for a married couple)-no requirement to reinvest
  - Disposable income – only include the portion of the gain not re-invested in a replacement primary residence
    - Prior to the sale or within the same calendar year

WASHINGTON STATE DEPARTMENT OF REVENUE 209

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Disposable Income

### Disposable Income – Capital Gains

|                        |           |            |            |
|------------------------|-----------|------------|------------|
| Sale Price of Asset    |           | \$ 200,000 |            |
| Commission             | \$ 12,000 |            |            |
| Selling Fees/Costs     | \$ 6,000  |            |            |
| Total Cost of Sale     |           | \$ 18,000  |            |
| Proceeds from Sale     |           |            | \$ 182,000 |
| Original Cost of Asset |           | \$ 125,000 |            |
| Excise Tax             | \$ 6,250  |            |            |
| New Roof               | \$ 7,500  |            |            |
| Water Assessment       | \$ 5,000  |            |            |
| Total Adj. to Basis    |           | \$ 18,750  |            |
| Adjusted Basis         |           |            | \$ 143,750 |
| Capital Gain on Sale   |           |            | \$ 38,250  |

WASHINGTON STATE DEPARTMENT OF REVENUE 210

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**Disposable Income – Capital Gains**

For sale of primary residence:

|   |                 |
|---|-----------------|
| Capital Gain on Sale of Previous Home       | \$ 38,250       |
| Cost of New Home                            | \$ 35,000       |
| <b>Gain to Include in Disposable Income</b> | <b>\$ 3,250</b> |
| Capital Gain on Sale of Previous Home       | \$ 38,250       |
| Cost of New Home                            | \$ 135,000      |
| <b>Gain to Include in Disposable Income</b> | <b>\$ 0</b>     |

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**Disposable Income – Capital Gains**

Other than the gain on a primary residence that was reinvested in a replacement residence – add any gains not already included in adjusted gross income

- WAC 458-16A-120(2)(d)(ii) tells us:
 

“The amount of capital gains that were excluded or deducted from adjusted gross income must be added onto that adjusted gross income to determine disposable income.”

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**Disposable Income – Capital Gains**

Look for capital gains on:

- Schedule D – Capital Gains and Losses
- Form 4684 – Casualties and Thefts
- Form 4797 – Sales of Business Property
- Form 8829 – Business Use of Home
- Form 8949 – Sales and Other Dispositions of Capital Assets

WASHINGTON STATE DEPARTMENT OF REVENUE 213

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Disposable Income

### Disposable Income – Losses

Amounts deducted for losses are added to the adjusted gross income to determine the disposable income.

- Losses cannot be used to offset other income
  - WAC 458-16A-120(2)(d)(iii) says:
    - The assessor adds to the adjusted gross income the amount of losses used to reduce income on these other schedules and forms.

WASHINGTON STATE DEPARTMENT OF REVENUE 214

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Disposable Income

### Disposable Income – Losses

Most common losses:

- Schedules C, E, and F (Business, Rental, and Farm)
- Schedule D (Capital Gains and Losses)
- Schedule 4797 (Sales of Business Property)
- Form 8949 – Sales and Other Dispositions of Capital Assets
- Schedule 1, Form 1040
- ✓ Line 30 – Penalty on early withdrawal of savings
- ✓ Line 21 – Net Operating Loss (NOL) and/or Debt Cancellation or Forgiveness

WASHINGTON STATE DEPARTMENT OF REVENUE 215

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Disposable Income

### Disposable Income – Depreciation

Depreciation must be added back to the extent it is deducted from income

- Find depreciation deductions on:
  - Schedule C – Line 13 (Business)
  - Schedule E – Line 18 (Rental)
  - Schedule F – Line 14 (Farm)
  - Form 8829 – Line 30 (Business Use of Home)
  - Form 2106 – Line 28 (Employee Business Expense)

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Disposable Income

### Disposable Income – Depreciation

- If there is a net loss reported on the schedule where depreciation was deducted, be careful that you do not, in effect, add the depreciation back twice
- If there was a loss **and** depreciation was deducted
  - **First** exclude the loss by adding that amount back to the income

WASHINGTON STATE DEPARTMENT OF REVENUE 217

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Disposable Income

### Disposable Income – Depreciation

- **Next:**
  - Recalculate the net income or loss for that schedule WITHOUT the depreciation deduction
  - If there is still a loss – do nothing more
  - If it's no longer a loss – add the recalculated net income to disposable income

Examples – page 128 in manual

WASHINGTON STATE DEPARTMENT OF REVENUE 218

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Disposable Income

### Disposable Income – Pension and Annuity

Pension and annuity receipts *are* included in disposable income whether or not they are taxable for IRS purposes

- For annuities – must meet definition of annuity in WAC 458-16A-100(2)
- Only add the portion that was excluded from adjusted gross income – i.e., the nontaxable amount
- Generally on Base Form 1040, lines 5a and 5b

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Disposable Income

### Disposable Income – Pension and Annuity

- Annuity – WAC 458-16A-100(2); 458-16A-120
  - A series of long-term periodic payments under a contract or agreement
  - Includes life insurance contract disbursements (other than one-time, lump-sum, total distribution)
  - Does not include payments for care of dependent children or distributions made from a traditional IRA
  - Long-term means a period of more than one full year from the annuity starting date

WASHINGTON STATE DEPARTMENT OF REVENUE 220

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Disposable Income

### Disposable Income – Pension and Annuity

- Pension – WAC 458-16A-100(28)
  - Arrangement providing payments for someone who has fulfilled age or service requirements
  - May be triggered by separation from service, age, disability, death, or other events
  - May allow payment of all or part of pension benefit in lieu of regular periodic payments

WASHINGTON STATE DEPARTMENT OF REVENUE 221

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Disposable Income

### Disposable Income – IRA

IRA – not considered to be a pension or annuity

- Generally – only include taxable portion already included in AGI
- 1099-R; Box 7 - If the IRA/SEP/SIMPLE box is checked, request info to support traditional aspect.

WASHINGTON STATE DEPARTMENT OF REVENUE 222

222 Traditional IRA – contributions to IRA are not taxed, distributions are  
 Roth IRA – contributions to IRA are taxed, distributions are not.

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Disposable Income

### Disposable Income – Military Pay and Benefits

Add the portion not already included in AGI

- Which military pay and benefits are included?
  - Active-duty military pay
  - Military retirement
  - Combat Related Special Compensation (CRSC)
  - Concurrent Retirement Disability Payments (CRDP)
  - Base Housing Allowance
  - Base Allowance for Subsistence

WASHINGTON STATE DEPARTMENT OF REVENUE 223

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223 There was a recent BTA case on CRSC that was overruled. BTA ruling does not change the DOR guidance.

Disposable Income

### Disposable Income – Veteran’s Benefits

Which veteran benefits are excluded?

- attendant-care
- medical-aid payments
- disability compensation paid by VA
- dependency and indemnity compensation paid by VA

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Disposable Income

### Disposable Income – Veteran’s Benefits

Which Veterans’ benefits are included?

- Retirement benefits paid by VA
- Survivor Benefit Program (SBP) Annuity Payments
- All other pay and benefits not specifically excluded

WASHINGTON STATE DEPARTMENT OF REVENUE 225

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Disposable Income

### Disposable Income – Social Security and Railroad Retirement

- Add the portion not already included in AGI
- Generally found on Form 1040, lines 6a and 6b
- SSA-1099
  - Can request a replacement from SSA.

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Disposable Income

### Disposable Income – Dividends

- Add any non-taxable dividend distributions shown on Schedule B, Part II
- Do not add qualified dividends reported on Form 1040, line 3a (this amount is already included in 3b)

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Disposable Income

### Disposable Income – Interest on State and Municipal Bonds

- Nontaxable for federal tax purposes but must be included in disposable income
- Generally found on Form 1040, line 2a

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A blue slide with a white question mark icon and the text "Questions?". At the bottom, there is a decorative bar with colored segments and the text "Disposable Income" on the left and "WASHINGTON STATE DEPARTMENT OF REVENUE 229" on the right.

Questions?

Disposable Income WASHINGTON STATE DEPARTMENT OF REVENUE 229

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A blue slide with the text "Question Time!" and a list of topics. To the right is an image of a calculator, a house, and a sign that says "Property Tax". At the bottom, there is a decorative bar and the text "WASHINGTON STATE DEPARTMENT OF REVENUE 230".

Question Time!

What do you want examples of most pertaining to Disposable Income?

- Income calculation in general
- Capital gains
- Losses
- Depreciation

Property Tax

WASHINGTON STATE DEPARTMENT OF REVENUE 230

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A blue slide with the text "Combined Disposable Income". At the bottom, there is a decorative bar and the text "WASHINGTON STATE DEPARTMENT OF REVENUE 231".

Combined Disposable Income

WASHINGTON STATE DEPARTMENT OF REVENUE 231

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Combined Disposable Income

### Combined Disposable Income



Defined in:

- RCW 84.36.383(1)
- WAC 458-16A-100(6)
- Combined disposable income is the total of the disposable income of the applicant, the applicant's spouse or domestic partner, and any co-tenants, less allowable deductions.

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Combined Disposable Income

### Combined Disposable Income

Spouse or domestic partner income must be included unless:

- Valid separation, dissolution, or property settlement agreement
- Spouse/Domestic Partner is "absent" as defined in WAC 458-16A-120(2)(a)
- Spouse/Domestic Partner is living separate and apart – maintaining separate residences, money, and assets

WASHINGTON STATE DEPARTMENT OF REVENUE 233

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Combined Disposable Income

### Combined Disposable Income

A co-tenant is someone who resides with the applicant AND has an ownership interest in the property.

- Include the income of any co-tenants.
- Do not include income for care of dependent children.

WASHINGTON STATE DEPARTMENT OF REVENUE 234

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Combined Disposable Income

### Combined Disposable Income

For any other residents:

- Include the portion of income contributed to the running of the household – i.e. rent, utilities, groceries...

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

**RCW 84.36.383(1)**  
 Allowable deductions are amounts paid by the claimant, or the claimant's spouse or domestic partner for **their**:

- (a) Legally prescribed drugs
- (b) Nursing home, assisted living (boarding) home, or adult family home expenses
- (b) In-home care
- (c) Health care insurance premiums for Medicare under Title XVIII of the Social Security Act

- These 4 deductions only for applications through 2021 tax year (2020 assessment year).

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Here is the list of the original 4 deductions, then we will list the recently added deductions and then we will go into them deeper

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

- ✓ The previous 4 plus the following for tax year 2022 and after (2021 assessment year)
- (d) Medicare supplemental policy premiums
- (e) Durable medical & mobility enhancing equipment
- (e) Prosthetic devices
- (e) Medically prescribed oxygen
- (f) Long-term care insurance
- (g) Cost-sharing amounts
- (h) Nebulizers  
 (\*cont. next slide)

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

- (i) Medicines of mineral, animal, and botanical origin prescribed, administered, dispensed, or used in the treatment of an individual by a WA licensed naturopath
- (j) Ostomic items
- (k) Insulin for human use
- (l) Kidney dialysis devises
- (m) Disposable devices used to deliver drugs for human use

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(a) Prescription Drugs

- Does not include medical supplies or vitamins
- Does not include homeopathic medicines
  - But will be deductible starting with tax year 2022 under the new provision RCW 84.36.383(1)(i)

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(a) Prescription Drugs

- Does not include medical supplies or vitamins
- Does not include homeopathic medicines
  - But will be deductible starting with tax year 2022 under the new provision RCW 84.36.383(1)(i)

**Why not “homeopathic” or “naturopathic” medicines prior to 2022?**

- Homeopathic or naturopathic medicines are typically vitamin and mineral supplement compounds rather than “prescription drugs”
- **Note** – there are some exceptions – i.e. codeine and testosterone products
- See pages 150 -153 in the manual for the long explanation with law and rule references

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

What about medical marijuana?

- Allowable as a prescription drug – not allowable for recreational use
- RCW 69.51A.010(1)(b) Beginning 7/1/2016, “authorization” means a form completed and signed by health care professional and printed on tamper-resistant paper.
- Must also show proof of prescription
- See page 149 in manual

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(b) Nursing home, assisted living (boarding) home, and adult family home costs

(b) In-home care costs:

- Medical care or treatment of applicant or applicant’s spouse/domestic partner
- Must be for services similar to those received in a nursing home
- Must meet certain criteria

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

- Criteria for in-home care costs:
  - Medical treatment or care received at home
  - Physical therapy received at home
  - Supplies, furniture, equipment
  - In-home services (Hospice, Meals on Wheels, Life Alert)

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

- Criteria for in-home care costs:
  - Attendant care to assist applicant or applicant's spouse/domestic partner with personal care and/or household tasks
  - Other tasks necessary to maintain a person in their home
  - Does not include improvements or repair of the home itself

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

More about supplies, furniture, equipment:

- Legal substances taken internally or applied externally – i.e.: oxygen
- Medical supplies – diabetic testing supplies
- Special needs furniture or equipment
- Portable bath furniture or access ramp – not bathroom remodel or permanent ramp construction
- Service animal – initial cost to purchase but not ongoing food and veterinary care

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

More about attendant care:

- Assist applicant or applicant's spouse or domestic partner with:
  - Household tasks
    - Cleaning, laundry, meal preparation, yard care
  - Personal care – meal prep, eating, dressing, hygiene, specialized body care, bathing, medication, etc.
  - Other tasks necessary to maintain a person in their home

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(c) Medicare Insurance Premiums

- Includes Parts A, B, C, and D under Medicare Title XVIII
- Parts A and B – typically included in premium shown on SSA-1099
- Part C – MedicareAdvantage – should see “MedicareAdvantage” on the health insurance card – or – see page 148-149 in the manual (<https://www.medicare.gov/plan-compare/#?lang=en>)
- Part D – Prescription Drug – should see “Medicare Part D” on RX card

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(c) Medicare Insurance Premiums

- Do not include supplemental insurance under this provision
  - Supplemental was deductible beginning tax year 2022 under RCW 84.36.383(1)(d)

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(d) Medicare Supplemental Policy Premiums

- Commonly referred to as Medigap coverage
- Deduction for premiums paid during the assessment year
- Approved plans only
- Medicare.gov search <https://www.medicare.gov/medigap-supplemental-insurance-plans/#?m?lang=en&year=2021>
- Office of the Insurance Commissioner (Washington)
  - <https://www.insurance.wa.gov/medigap-medicare-supplement-plans>
  - Quarterly list

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Remember – just the insurance card is not enough for proof of Medigap insurance. The applicant might need to call insurance company to inquire if they have a Medigap plan and what letter it is – plan F, etc?

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(e) Durable medical and mobility enhancing equipment, prosthetic devices

- RCW [82.08.0283](#)
- WAC [458-20-18801](#)
  - Durable Medical Equipment (Table 1)
  - Mobility Enhancing Equipment (Table 3)
  - Prosthetic Devices (Table 5)
    - Tables incorporated into manual pgs 143-146

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250 Tables shown are not an all inclusive list – so go back to the RCW’s & WAC’s for guidance!

Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

RCW [82.08.0283](#)

- (b) "Durable medical equipment" means equipment, including repair and replacement parts for durable medical equipment that:
  - (i) Can withstand repeated use;
  - (ii) Is primarily and customarily used to serve a medical purpose;
  - (iii) Generally is not useful to a person in the absence of illness or injury; **and**
  - (iv) Is not worn in or on the body.

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251 That means ALL FOUR items need to be met – item #3 is generally the determining factor – ie: hot tub, red light therapy, etc

Combined Disposable Income

### Table 1

| Durable Medical Equipment Examples   | Instruments - Reuseable, e.g., clamps, drills, forceps, retractors, scalpels, reamers, scissors  |
|--|--|
| <ul style="list-style-type: none"> <li>• Anesthesia machine and ventilator</li> <li>• Apnea monitors</li> <li>• Atomizers (medical - Reusable)</li> <li>• Beds, bags, trays, bedpans, commodes, pads, pillows, crash carts, lamps, bulbs, and tables (medical)</li> <li>• Blood parameter monitor, pulse oximetry equipment, and blood gas analyzer</li> <li>• Bone growth stimulator (not worn on the body)</li> <li>• Bovie (cauterization)</li> <li>• Cardiopulmonary bypass machine</li> <li>• Cofflator</li> <li>• Continuous passive motion devices</li> <li>• Continuous positive airway pressure (CPAP &amp; Bi-PAP) machine (not worn on the body)</li> <li>• Diagnostic equipment - Audiology, cardiology, mammography, radiology</li> <li>• Electronic speech aids (not worn on the body)</li> <li>• Endoscopes</li> <li>• Enteral feeding bags, tubing, and connectors</li> <li>• Feeding plugs</li> <li>• Glucose meters</li> </ul> | <ul style="list-style-type: none"> <li>• Intravenous (IV) stands and poles</li> <li>• Kidney dialysis devices</li> <li>• Lasers</li> <li>• Lithotripters</li> <li>• Nebulizers</li> <li>• Respiratory humidifier</li> <li>• Reusable needles or reusable staplers</li> <li>• Sling scales</li> <li>• Stapler (must be empty as staples are not durable medical equipment)</li> <li>• Stethoscopes, stirrups, and stretchers (medical)</li> <li>• Suction regulators</li> <li>• TENS units (not worn on the body)</li> <li>• Tourniquets</li> <li>• Ultrasound probes, transducers, and mini dopplers</li> <li>• Whirlpools (medical)</li> <li>• X-ray equipment</li> </ul> |

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

RCW [82.08.0283](#)

- (c) "Mobility enhancing equipment" means equipment, including repair and replacement parts for mobility enhancing equipment that:
  - (i) Is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;
  - (ii) Is not generally used by persons with normal mobility; **and**
  - (iii) Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

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253 That means ALL THREE items need to be met – item #2 is generally the determining factor

Combined Disposable Income

### Table 3 Mobility Enhancing Equipment Examples

- Bath aids - Raised toilet seat, tub and shower stools
- Bed pull-up T
- Canes
- Car seats (mobility enhancing)
- Crutches
- Handrails and grab bars to assist in rising from commode, tub, or shower
- Lift chairs and replacement parts
- Lifts (hydraulic or electric) used to raise or transfer patients from bed to chair, commode, or bath
- Scooters and transporters
- Swivel seats enabling the disabled to rotate in order to rise from a chair
- Transfer belts to assist in the transfer of patients
- Walkers
- Wheelchairs
- Wheelchairs adapted for specific uses or functions, e.g., all terrain wheelchairs

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

RCW [82.08.0283](#)

- (a) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts for a prosthetic device, worn on or in the body to:
  - (i) Artificially replace a missing portion of the body;
  - (ii) Prevent or correct a physical deformity or malfunction; **or**
  - (iii) Support a weak or deformed portion of the body.

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255 OR means only one of these three need to be met to qualify



Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(g) Cost-sharing amounts

- RCW [48.43.005](#)(18)
- amounts paid to health carriers directly providing services, health care providers, or health care facilities by enrollees and may include copayments, coinsurance, or deductibles

(h) Nebulizers

- RCW [82.08.803](#)
- WAC [458-20-18801](#)(403)(p)
- Also considered durable medical equipment
- a device, and not a building fixture, that converts a liquid medication into a mist so that it can be inhaled

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(i) Medicines of mineral, animal, and botanical origin prescribed, administered, dispensed, or used in the treatment of an individual by a person licensed under chapter 18.36A RCW

- [18.36A RCW](#) is Naturopathy
- Must be a licensed Washington Naturopath
  - <https://fortress.wa.gov/doh/providercredentialsearch/>
- Includes titles or references such as: Naturopath, naturopathy, naturopathic, naturopathic physician, ND, or doctor of naturopathic medicine
- If prescribed, administered, dispensed, or used in the treatment of an individual who is *not* a licensed naturopath and it is not considered a "prescription drug", it is not a deductible expense.
  - RCW [84.36.383](#)(1)(a)

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

(j) Ostomic items

- RCW [82.08.804](#)
- WAC [458-20-18801](#)(403)(q)
- disposable medical supplies used by colostomy, ileostomy, and urostomy patients and include bags, belts to hold up bags, tapes, tubes, adhesives, deodorants, soaps, jellies, creams, germicides, and related supplies. Does not include undergarments, pads and shields to protect undergarments, sponges, or rubber sheets.

(k) Insulin for human use

- No prescription required

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Combined Disposable Income

### Combined Disposable Income – Allowable Deductions

- (l) Kidney dialysis devices
  - WAC [458-20-18801](#)(403)(o)
  - a device which physically performs the dialyzing or separating process on blood. Kidney dialysis device does not include other equipment or tools used in conjunction with a kidney dialysis device.
- (m) Disposable devices used to deliver drugs for human use
  - RCW [82.08.935](#)
  - WAC [458-20-18801](#)
  - include single-use items such as a single-use syringe, intravenous (IV) tubing, and IV catheters. A stand or device that holds the tubing or catheter is not a disposable device used to deliver drugs.

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### Questions?

Combined Disposable Income

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### Question Time!

What allowable deductions do you feel are the most difficult to establish?

- Medigap Supplemental Insurance
- Durable Medical Equipment
- Mobility Enhancing Equipment
- Cost Sharing Amounts
- Long Term Care Insurance



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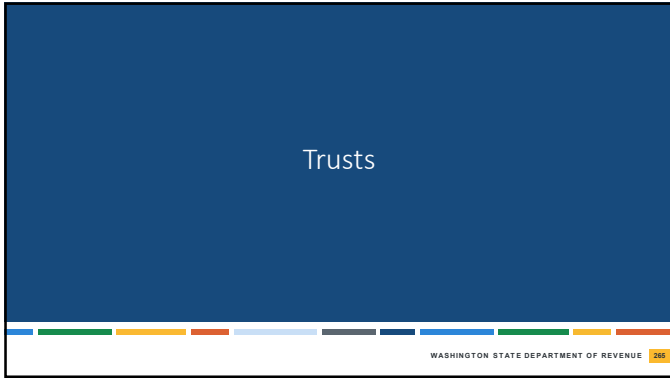
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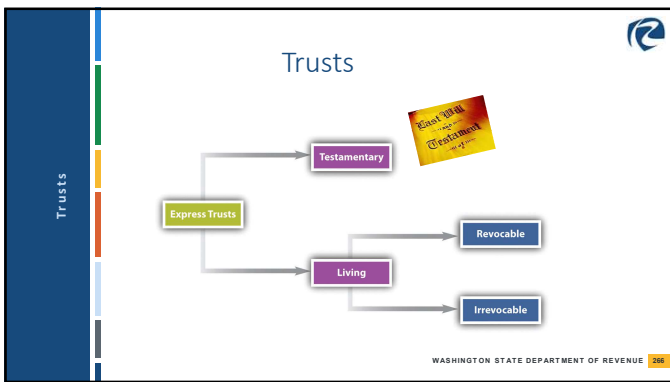
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Trusts

No provision for ownership through a trust

Exemption Program:

- Trust must contain language conveying a life estate interest as defined in WAC 458-16A-100(25)

Grant and Deferral Programs:

- Revocable trusts specifically don't qualify
- Irrevocable trusts may qualify

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**Trusts**



**Grant and Deferral Programs:**

- Trust must be expressly irrevocable
- Applicant must be trustee or beneficiary
- Applicant must have life-time beneficial interest in residence
- Trust must not contain language prohibiting encumbrances

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**Trusts**



**Exemption Program:**

- Pages 109 – 114 in the manual
- Definition of “life estate” in WAC 458-16A-100(25)
- Form REV 64 0085 – Declaration of Trust
- Retain copy of appropriate portions of trust to document qualifying ownership interest
  - WAC 458-16A-135(5)(e)(i)

WASHINGTON STATE DEPARTMENT OF REVENUE 269

269 REV 64 0085 – does anyone use this form??

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**Trusts**



Trusts meet the definition of “life estate” if:

- the applicant reserved a life estate when the property transferred to the trust **OR**
- the applicant is the creator and granted to themselves a beneficiary interest in the residence that lasts for their lifetime **OR**
- the trust is irrevocable and the applicant is the beneficiary and has been granted the beneficial interest in the residence for their lifetime.

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TRUSTS

## Trusts

- First paragraph provides name(s) of creator(s) and name of trust
- If creator(s) is/are living and are the applicants, you do not need to read what happens after death
- The language you need can be anywhere in the trust

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## Questions?

TRUSTS

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## Question Time!

On a scale of 1-5, how confident do you feel about Trusts?

- 1
- 2
- 3
- 4
- 5



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