



Property Tax Relief Programs for Individuals

Washington state's primary tax agency

August Workshop 2025

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Webinar Instructors

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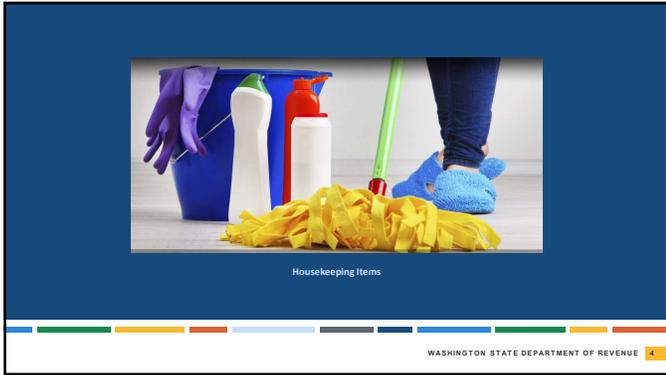
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Offering 3 general interest hours.

Attendance: You must attend 90% of this class to receive credit. If you are sharing a conference room with others, provide a list of who is with you in the Chat room.

Course materials: A link to materials was including in the meeting invite you used to join the training. It is also pinned at the top of the Chat room.

Technical issues: Reply to the meeting invite.

Webinar Agenda

<p>Tuesday, Aug 5, 2025 – 9:00 am – 4:30 pm</p> <ul style="list-style-type: none"> • Day One • Program Manual, Publications & Forms • Individual Benefit Programs (IBP) – overview • IBP – Primary Qualifications • Widow/Widower Grant Assistance Program • Exemption / Deferral Programs • Appeals & Leasehold Excise Tax Credit 	<p>Wednesday, Aug 6, 2025 – 9:00 am – 4:30 pm</p> <ul style="list-style-type: none"> • Day Two • Q&A from Day One content • Disposable Income • Combined Disposable Income • Trusts • Group Discussion on trusts, combined disposable income (CDI), etc.
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Questions?

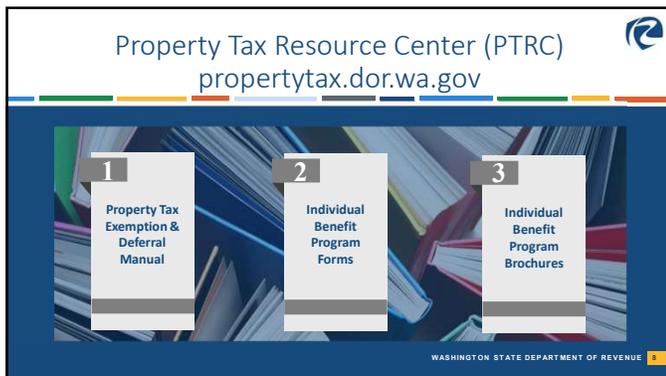
Agenda Overview

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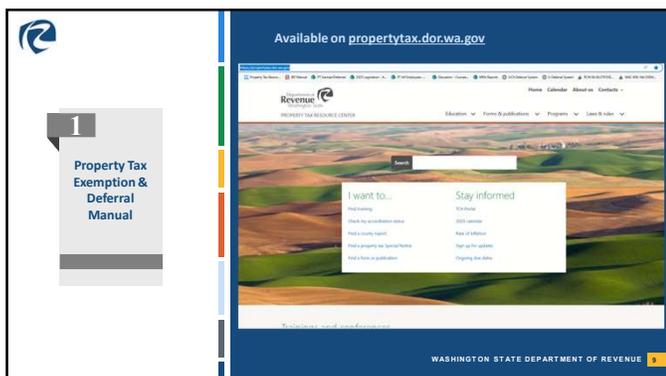
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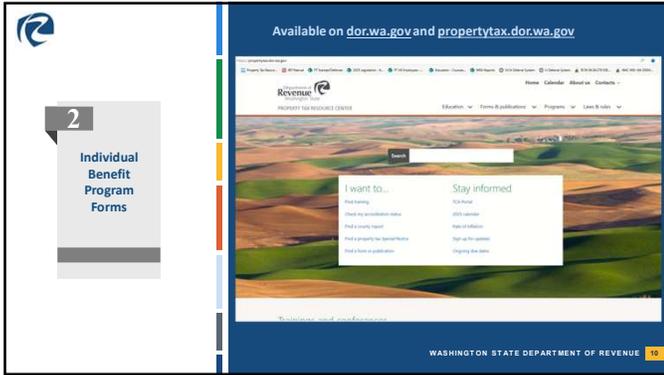
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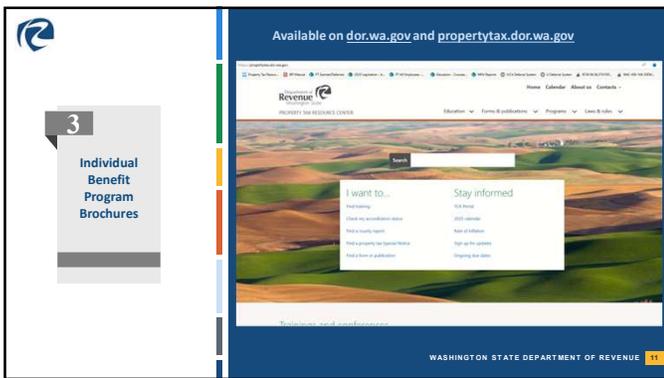
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Reminder: If you use county specific forms for the Exemption Program, make sure you send any proposed revisions to DOR for final approval before you use them!

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)



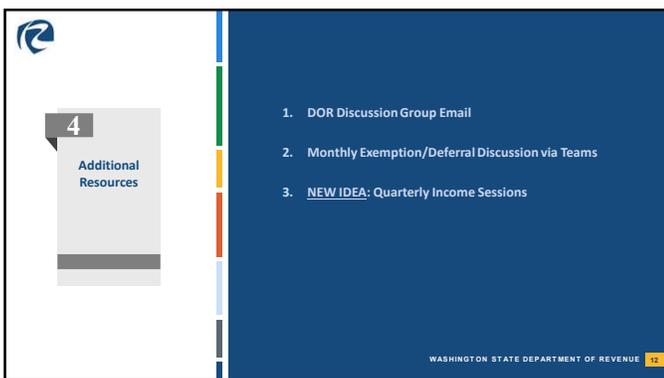
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Property Tax Exemption for Senior Citizens and People with Disabilities

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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1. DOR Discussion Group Email

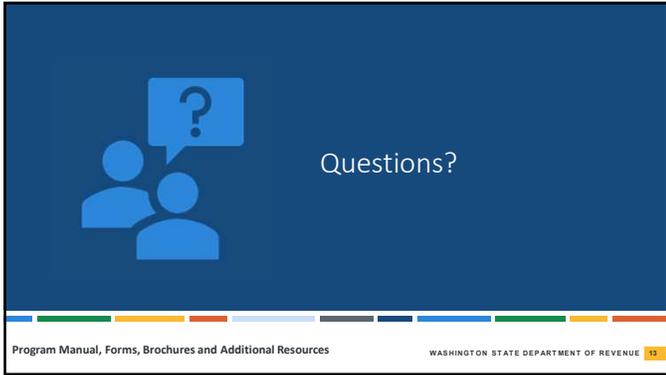
Are you on our Admin Distribution List? If not, let us know! We update this list & send it out quarterly so you can send questions to the group.

2. Monthly Exemption/Deferral Discussion via TEAMS

Generally, our monthly Teams discussion takes place the last Tuesday of the month (2-3:30pm). Invitations are sent out to the current Admin Distribution List and are usually for 3-4 months at a time. Sometimes topics are prepared in advance, sometimes it's a Q&A session, depending on the need.

3. NEW IDEA: Quarterly Income Sessions

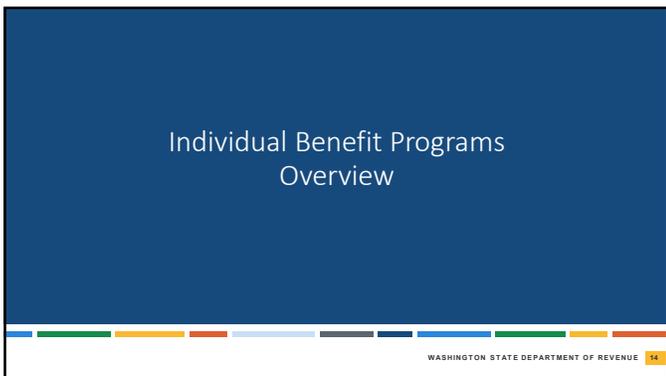
This would be once a quarter and in addition to the monthly discussions. The scope of this is ONLY income calculations. No other questions/topics/inquiries. Those can be discussed at the monthly meetings. We just don't want anyone feeling like they are missing out on time or discussions. As we go through this, we can expand to also include trusts, if there is a need/want.



Questions?

Program Manual, Forms, Brochures and Additional Resources WASHINGTON STATE DEPARTMENT OF REVENUE 13

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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

<p>Property Tax Deferral for Senior Citizens and People with Disabilities RCW 84.38 WAC 458-18</p>	<p>Property Tax Deferral For Homeowners with Limited Income RCW 84.37 WAC 458-18A</p>
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Individual Benefit Programs Overview

Widows/Widowers of Qualifying Veterans



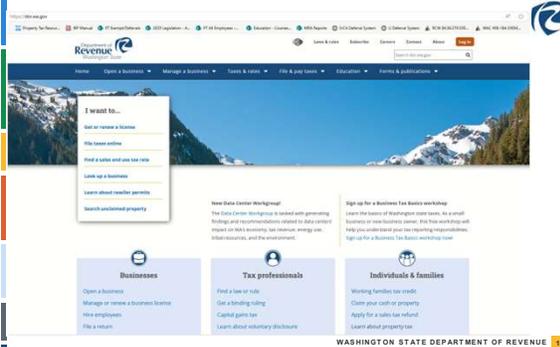
- Monetary assistance is in the form of a grant
- Applicant can not be remarried
- Assistance works with exemption program
- Renewal requirement

RCW 84.39

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Individual Benefit Programs Overview



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

Main page: <https://dor.wa.gov>

Click on Taxes & Rates

Select "Property Tax"

Select "Statistics, laws & other resources" from column on right (under More Information)

Select "Property tax statistics"

Select "Property tax statistical reports"

Select "Property tax relief programs"

Individual Benefit Programs Overview

Property Tax Statistics 2024

Fun Facts

Senior/Disabled Deferral <ul style="list-style-type: none"> 339 apps (2023) \$1,011,599 relief \$2,984 average relief 	WW Grant <ul style="list-style-type: none"> 5 apps (2023) \$648 relief \$130 average relief
Limited Income Deferral <ul style="list-style-type: none"> 18 apps (2023) \$33,292 relief \$1,849 average relief 	Senior/Disabled Exemption <ul style="list-style-type: none"> 146,059 participants \$375 million relief \$2,181 average relief

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Deferred taxes are a balance that the taxpayer must pay back.

Veteran grant is a gift. Not a shift or a balance to be paid back.

Exemption is a tax shift.

When we say the tax relief to applicants is \$375 million, this also means that other taxpayers are now responsible for paying this amount, in addition to their own taxes.

Individual Benefit Programs Overview

Budget: \$100
Total AV: 25,000
Tax rate: \$4 per 1,000 AV

AV: 5,000 Tax: \$20				

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Washington is a budget-based state.

Example: taxing district with budget of \$100. Five identical properties in this district, five identical values. Fair distribution is \$20 in taxes for each property.

But what if there was a difference in value? Or a tax shift?

Individual Benefit Programs Overview

Budget: \$100
Total AV: 20,000
Tax rate: \$5 per 1,000 AV

AV: 1,000 Tax: \$5	AV: 5,000 Tax: \$25	AV: 2,000 Tax: \$10	AV: 5,000 Tax: \$25	AV: 7,000 Tax: \$35

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Example: taxing district with budget of \$100.

House A – had destroyed property and their value was reduced from 5,000 to 1,000

House B – no change in value

House C – applied & qualified for the exemption program and their value was reduced from 5,000 to 2,000

House D – no change in value

House E – had new construction value added, and their value increased from 5,000 to 7,000

The change in value and taxes for House A, C & E is easy to see & make sense of. However, the value for House B & D did not change, yet their tax bill went from \$20 to \$25. Why?

Because of the tax shift. The taxing districts budget of \$100 still needs to be met. Therefore, the total AV is calculated for the district and a new tax rate is established. This changes the tax amounts. And we see this tax shift the most for House B & D.

Individual Benefit Programs Overview



"Exemptions to the tax law must be narrowly construed. Taxation is the rule and exemption is the exception. Anyone claiming a benefit or deduction from a taxable category has the burden of showing that he qualifies for it."

Excerpt from Det. No. 20-0246, 44 WTD 011 (2025)

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Excerpt from Det. No. 20-0246, 44 WTD 011 (2025)

<https://dor.wa.gov/sites/default/files/2025-05/44WTD011.pdf>

So why is this important?

It's because exemptions to the tax law must be narrowly construed. We have a responsibility to the applicants to be thorough in reviewing their application and make sure the exemption is applied correctly. We also have a responsibility to the taxpayers to do the same so they are not shouldered with a property tax burden that they should not be.

Taxation is the rule and exemption is the exception.



Questions?

Individual Program Benefits Overview

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Question Time!

Are you interested in attending the quarterly income calculation session?

- Not at all
- Maybe – will there be snacks?
- Ohhh, this could be helpful
- Yes, I'm so there!

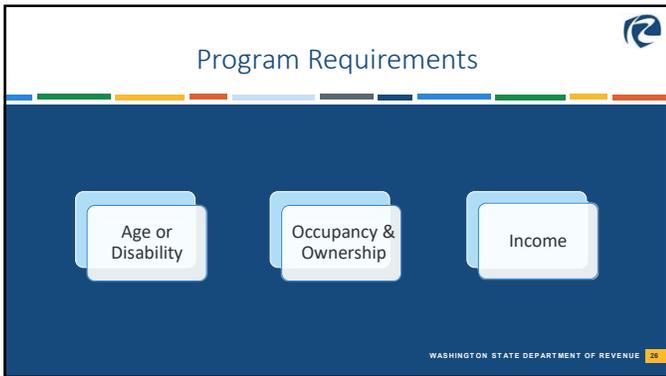


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 A blue slide with the title "Program Requirements" in white text. Below the title is a decorative horizontal bar with colored segments. A table is centered on the slide, listing four programs with their respective age and disability requirements. A footnote at the bottom left states: "*Decreases to 40% for taxes due in 2027". The Washington State Department of Revenue logo and name are in the bottom right corner.

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 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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This shows all the individual benefit programs and what the age or disability requirement is for each one.

As you can see, the age requirement is different for each program. This is intentional so that the benefit can reach more people.

And you will see that the date or year they need to meet the age requirement is **different too**.

For the exemption program it is the year prior to taxes due, for the deferral and grant assistance, it is by the end of the tax year.

And we can see that the disability requirement is different for the exemption program. It allows disabled veterans to qualify, while that is not a provision allowed for the deferral or grant programs.

The passage of EHB 1106 revises the service-connected disability rating from 80% to 40%. This means if a veteran has a 40% or higher rating sometime within 2026, they could qualify for tax year 2027.

<https://app.leg.wa.gov/BillSummary/?BillNumber=1106&Year=2025&Initiative=false>



Program Requirements

Disability Requirement	SSA definition
OR disabled by SSA definition OR a Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated.	<p>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.</p>
OR disabled by SSA definition	
None	
OR disabled by SSA definition	

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Since we see some consistency in the disability requirement, I wanted to share what the SSA definition of disability is.

Inability to engage in any substantial gainful activity – this doesn't mean the applicant cannot work at all. SSA sets limits on substantial gainful activity - <https://www.ssa.gov/oact/cola/sga.html>

2025 Limits

Blind: 2,700

Non-Blind: 1,620

Look at the time period in this definition. It is expected to result in death, which means for their lifetime or a continuous period of not less than 12 months. So, not 6 months of short-term disability.



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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We can see the occupancy requirement is consistent. The applicant must occupy the property as their principal residence.



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"> Can include an ADU beginning with tax year 2025 and forward Up to one acre – OR – up to 5 acres if the larger parcel size is required under local land use regulations Must be the applicant's principal residence Occupy the home for more than six months each calendar year Applicant <i>may</i> still meet the occupancy requirement when not occupying home
Must occupy property as principal residence.	
Must occupy property as principal residence.	
Must occupy property as principal residence.	

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The definition of residence is:

A single-family dwelling unit whether such unit be separate or part of a multiunit dwelling, may include one accessory dwelling unit and includes the land on which such dwellings stand not to exceed one acre, except that a residence includes any additional property up to a total of five acres that comprises the residential parcel if this larger parcel size is required under land use regulations.

Before we go further into the occupancy requirement, let's review an example to help visualize what this definition of a residence looks like.

Program Requirements

Definition of residence:

- A single-family dwelling unit
- *May include* one accessory dwelling unit (ADU) **and**
- Up to one acre of land, or five acres, depending on zoning requirements

<p>Parcel A: 4 acres of land 1 house 1 ADU 1 small garage</p>	<p>Parcel B: 4 acres of land 3 houses 2 ADU's 1 garage 1 cabin</p>
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Do you have guidelines for what is "typical" for your county? Maybe it would help to create this. Such as waterfront property, it might be typical to have the home, land, bulkhead wall & a dock.

Also, time & volume should not impact the decision on whether to segregate the portion that does not qualify. It is important to be consistent and fair in the administration of the program. The exemption can be applied to improvements/land that qualify and should not be applied to improvements/land that doesn't.

Here we have Parcel A & Parcel B. Each one is 4 acres of land. Parcel A has one house, one qualifying ADU & one small garage. This is typical for a primary residence. Therefore, the exemption can be applied to all of the land and improvements.

Parcel B has a lot more improvements on it. Can the exemption be applied to all of these? No. Remember, the exemption must be narrowly construed. We can apply the exemption to the main home, the ADU (if it qualifies), garage, land, maybe a shed but the remaining structures would generally be fully taxable.

Therefore, Parcel B might require a segregation. Some county systems require an administrative segregation for fully taxable portions of the improvements and/or land. Some county systems can have all of the improvements and land on one parcel and can apply the exemption to a portion of them. No matter how your system does it, the exemption should only be applied to what qualifies.

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"> • Can include an ADU beginning with tax year 2025 and forward • Up to one acre – OR – up to 5 acres if the larger parcel size is required under local land use regulations • Must be the applicant's principal residence • Occupy the home for <u>more than six months each calendar year</u> • Applicant <i>may</i> still meet the occupancy requirement when not occupying home
Must occupy property as principal residence.	
Must occupy property as principal residence.	
Must occupy property as principal residence.	

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32 Our revised ADU special notice goes into this more:

<https://dor.wa.gov/forms-publications/publications-subject/special-notices/legislative-updates-property-tax-assistance-program-individuals-expands-adus>

So now that we've gone over the primary residence portion of this, it is a requirement that the applicant occupy the home for more than 6 months of each calendar year.

Determining occupancy is a vital step in whether an ADU can qualify, especially **ADU's that might be rented.**

Now we get to the part where the applicant might still meet the occupancy requirement when they are not occupying the home.

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"> > Hospital > Nursing home > Assisted living home > Boarding home > Adult family home <u>OR</u> > Home of relative for long-term care 	<p>AND</p>	<p><u>Primary residence is:</u></p> <ul style="list-style-type: none"> > Temporarily vacant > Rented to offset costs of facility > Occupied by someone financially dependent on applicant <u>OR</u> > Occupied by unpaid caretaker
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Department maintains that the applicant would intend to go home if they could, which is why the exemption can remain in place.

There is a difference between caretaker and caregiver: "You take care of property...to people you give care."

A caretaker would be living in the home to take care of the house.



Program Requirements

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

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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We had a DOR discussion group email about this recently – removing the exemption when someone moved out of the home and listed it for sale. Do we remove the exemption upon the date of them moving out? We remove the exemption for a sale & death because of it's finality. Moving out of the home and listing the home for sale is not final and there could be room for change. If there is any question, base the exemption on their occupancy from the year prior (i.e.: occupancy in 2024) and then remove the exemption for the following year. BUT if they clearly express this intent to not return in writing, you could remove the exemption based on the date they moved out.



Program Requirements

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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Limited income deferral has provision of owning property for 5 years to establish sufficient equity.

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

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The income used to establish qualification is the total gross income, both taxable & non-taxable.

Prior to the law change in 2019, the thresholds for all programs were a fixed amount. A one size fits all approach doesn't really work for all 39 counties. The income & cost of living for King County is different than for Asotin county. So there was a significant change and the income thresholds are now based on a percentage of the county median household income. These limits are published by OFM and DOR updates the income threshold limits every 3 years.

Program Requirements

[www.dor.wa.gov/incomethresholds](https://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

Program Requirements



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Program Requirements

<p>Disposable Income</p> <ul style="list-style-type: none">• RCW 84.36.383(6) and WAC 458-16A-100(12)• Total gross taxable and non-taxable income• Start with adjusted gross income (AGI) and "add back" non-taxable sources	<p>Combined Disposable Income</p> <ul style="list-style-type: none">• RCW 84.36.383(1) and 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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Questions?

Program Requirements

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Question Time!

What is the definition of a residence?

- Main home, all improvements and all the land (no restrictions)
- Main home and only up to one acre of land
- Main home, may include an ADU and the land up to one acre, or a total of five, depending on zoning requirements



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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/ Ownership	Must occupy property as principal residence. Must own or be purchasing.
Income Limits	70% county median household income (2025 taxes and forward)* 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
Special 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
Special Assistance Program



Levels of Assistance

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
Special Assistance Program

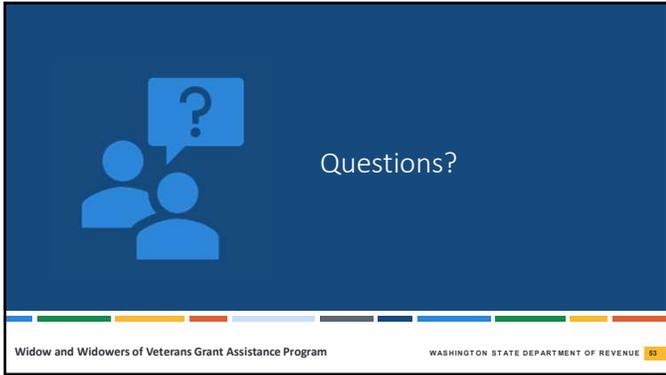


Loss of Assistance

- 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 WASHINGTON STATE DEPARTMENT OF REVENUE 53

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Question Time!

What is the age requirement for the Widow and Widower of Veterans Grant Assistance program?

- 62 by 12/31 of the assessment year
- 60 by 12/31 of the filing year (tax year)
- 61 by 12/31 of the assessment year
- 62 by 12/31 of the filing year (tax year)

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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 Program

Qualifications	Senior Citizen / People with Disabilities Exemption Program
Age	61 years old by Dec. 31 of assessment year. (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 disabled by SSA definition 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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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.

Senior Citizen / People with Disabilities Exemption

Substantial gainful activity

- For 2025, limits will be:
 - \$1,620 per month for non-blind
 - \$2,700 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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<https://www.ssa.gov/OACT/COLA/sga.html>

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 9, 2022
Claim Number: xxx-xx-xxxx5A

Matthew Claimant
123 Claimant Lane
Somewhere, NC 28996

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 \$7,256.00 on approximately March 7, 2022.
- This is the money you are due for June 2021 through February 2022.
- Your next payment of \$1,065.00, 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 Veteran with disabilities with service-connected disability 80% evaluation or 100% compensated.

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)
- **NOTE: the evaluation rating decreases to 40% for tax year 2027**

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The decrease to 40% means that a veteran awarded a 40% service-connected disability evaluation rating or higher anytime in 2026, could apply for tax relief in 2027.

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

Your VA claim number is: xxxxx-4321
You are the Veteran.

Military Information

Your most recent, verified periods of service (up to three) include:

Branch of Service	Character of Service	Entered Active Duty	Released/Discharged
Army	Honorable	September 17, 1990	June 22, 1996
Army	Honorable	June 23, 1999	May 5, 2005

(There may be additional periods of service not listed above.)

VA Benefit Information

You have one or more service-connected disabilities: **Yes**

Your combined service-connected evaluation is: **100%**

Your current monthly award amount is: \$4268.39

The effective date of the last change to your current award was: January 1, 2021

You are considered to be totally and permanently disabled due solely to your service-connected disabilities: **Yes**

The effective date of when you became totally and permanently disabled due to your service-connected disabilities: **December 15, 2004**

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Senior Citizen / People with Disabilities Exemption

Qualifications	Senior Citizen / People with Disabilities Exemption Program
Occupancy/ Ownership	Must occupy property as principal residence. Must own or be purchasing.

Occupancy

"Principal Place of Residence" (RCW 84.36.383(10))

- Defined as: "a residence occupied for more than six months each calendar year by a person claiming an exemption..."
- 2020 and after
- 2019 "Hiccup year" – required more than nine months occupancy

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More than 6 months in the assessment year (year prior to tax year)

Senior Citizen / People with Disabilities Exemption

Qualifications	Senior Citizen / People with Disabilities Exemption Program
Occupancy/ Ownership	Must occupy property as principal residence. Must own or be purchasing.

Ownership

- Must have ownership interest as of the time a timely filing would have been due

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Timely filing provision is what can allow applicants to apply for an exemption on a home they no longer currently own. We see this often for transfers of exemption. If they apply for an exemption on the home they owned prior, this helps them establish the occupancy requirement & then they can transfer the exemption to their current home.

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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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

If the ownership is shared, it is important to inquire if the additional owners are co-tenants or co-owners.

Co-tenant = someone who has ownership interest in the home AND lives in the home.

Co-owner = someone who has ownership interest in the home and DOES NOT live in the home.

Shared ownership could result in a segregation of value if the additional owner is a co-owner and does not live in the home.

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This can also apply to parent/child ownership, maybe they also retained a life estate or lease for life. Often our senior applicants are changing ownership due to estate planning and might add someone to their deed. If this happens, it can change the amount of exemption they might be entitled to.

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

<p>Devisee</p> <ul style="list-style-type: none"> means any person designated in a will to receive a disposition of real or personal property 	<p>Heir</p> <ul style="list-style-type: none"> 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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Descent and distribution of real and personal estate

<https://app.leg.wa.gov/rcw/default.aspx?cite=11.04.015>

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

- Marital community is an undivided interest (100%), not 50/50
- What if they are separated / divorced / living separate & apart?
 - Manual guidance pg. 139 - 141

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Ownership

Can also be:

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

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Qualifications Senior Citizen / People with Disabilities Exemption Program

Income Limits	70% county median household income. (2024 taxes and forward)
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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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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

Example:

- On program since 2001
- Frozen value = 150,000
- Added an ADU in 2025, valued at 80,000
- What is their frozen value now??

150,000	+	80,000	=	230,000
original 2001 FV		2025 value of ADU		new 2026 FV



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Example:

Our applicant has been on the exemption program since 2001. When they qualified, their value was frozen at 150,000.

In 2025, they added an ADU to their property. This changes their frozen value but how?

We take their original 2001 frozen value, add the 2025 value of the ADU to get the new frozen value for 2026 tax year. (If they added the value in 2025, they would be taxed on it in 2026, not 2025.)

This might be a simple example, and I know we have a lot more difficult scenarios for frozen value changes. This might be something we take the time to delve into on one of our monthly webinars.

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

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 100% of excess levies and 100% of Part 2 of state school levy and 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
Income Threshold 1	Exempt from 100% of excess levies and 100% of Part 2 of state school levy and Exempt from regular property taxes and Part 1 of state school levy on \$60,000 or 60% of the value whichever is greater

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Senior Citizen / People with Disabilities Exemption

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 100% of excess levies and 100% of Part 2 of state school levy and 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
\$0 - \$30,000	Exempt from 100% of excess levies and 100% of Part 2 of state school levy and Exempt from regular property taxes and Part 1 of state school levy on \$60,000 or 60% of the value whichever is greater

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Senior Citizen / People with Disabilities Exemption

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

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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Remember the timely filing provision we discussed when we reviewed the ownership requirements? Timely filing provision is what can allow applicants to apply for an exemption on a home they no longer currently own. We see this often for transfers of exemption. If they apply for an exemption on the home they owned prior, this helps them establish the occupancy requirement & then they can transfer the exemption to their current home.

Senior Citizen / People with Disabilities Exemption Program

Program Benefits

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

Example:

- On program since 2001 & Home A is primary residence
- Sold Home A on 8/1/2024
- Purchased Home B on 8/4/2024
- Exemption can transfer to Home B since occupancy has been met in Home A.

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Applicants might not know they could transfer an exemption when they first apply for the exemption program. If, for example, the applicant came into the county when they purchased Home B, they might be denied because purchasing a home on 8/4/2024 does not allow the applicant to meet the 6+ month requirement for occupancy in 2024. Instead of an automatic denial, it might be worthwhile to discuss the occupancy requirement with the applicant and inquire if they had a home prior. If they owned & lived in a home in WA state, they could apply for the exemption on that one and then proceed with a transfer.

Senior Citizen / People with Disabilities Exemption Program

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 31st 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 31st of year following application – RCW 84.36.381(4)(e)

WASHINGTON STATE DEPARTMENT OF REVENUE 86

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Question Time!

We heard you! Last year many of you gave feedback and asked for examples throughout. We've had a few so far. Do these help?

- Yes
- No



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Senior Citizen / People with Disabilities Exemption

Applications

- 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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Senior Citizen / People with Disabilities Exemption

Applications

- 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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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.: 2025), the exemption would be removed for the following tax year (i.e.: 2026).
- 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

Property Tax

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Senior Citizen / People with Disabilities Deferral Program

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Senior Citizen / People with Disabilities Deferral Program



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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Senior Citizen / People with Disabilities Deferral Program

- 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 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

WASHINGTON STATE DEPARTMENT OF REVENUE 100

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Senior Citizen / People with Disabilities Deferral

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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Senior Citizen / People with Disabilities Deferral

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

WASHINGTON STATE DEPARTMENT OF REVENUE 102

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Must own as of the time a timely filing would have been due

Must own:

In fee

Contract purchase

Senior Citizen / People with Disabilities Deferral

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

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

What does NOT meet the ownership requirement for the deferral?

- Cooperative housing
- Life estate
- Lease for life
- Revocable trust
- Irrevocable trust that does not 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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Example from a recent irrevocable trust that contained a spendthrift provision.

Ownership

What does NOT meet the ownership requirement for the deferral?

- Cooperative housing
- Life estate
- Lease for life
- Revocable trust
- Irrevocable trust that does not qualify**

- No spendthrift clause preventing encumbrance of trust assets

4.5 Restraint on Alienation. No right, title, interest or equity in any of the trust estate or the income shall vest in Lisa [redacted] until actual payment to her by the Trustee, and no part of either principal, interest, or increase shall be liable for the debts, present or future, of Lisa [redacted] or shall be subject to the right on the part of any creditor of Lisa [redacted] to seize or reach the trust estate under any writ or by any proceeding at law or in equity. Lisa [redacted] shall not have any power to give, grant, sell, convey, mortgage, pledge, or otherwise dispose of, encumber or anticipate the principal, income or increase of the trust estate.

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

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 Deferral Program

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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Senior Citizen / People with Disabilities 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	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 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	-----
Total Value (=)		
Total Liens / Encumbrances (-)		
Total Equity (=)		
Percent of Equity Allowed (x)		
Total Amount Available for Deferral (=)		

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	-----
Total Value (=)		
Total Liens / Encumbrances (-)		
Total Equity (=)		
Percent of Equity Allowed (x)		
Total Amount Available for Deferral (=)		

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.

WASHINGTON STATE DEPARTMENT OF REVENUE 110

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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	-----
Total Value (=)	325,000	75,000
Total Liens / Encumbrances (-)		
Total Equity (=)		
Percent of Equity Allowed (x)		
Total Amount Available for Deferral (=)		
Existing Deferral Principal Balance (-)		
DOR Interest (-)		
Remaining Amount Available for Deferral (=)		

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 112

112

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	-----
Total Value (=)		
Total Liens / Encumbrances (-)		
Total Equity (=)		
Percent of Equity Allowed (x)		
Total Amount Available for Deferral (=)		

WASHINGTON STATE DEPARTMENT OF REVENUE 113

113

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)		
Improvement Value (+) (250,000 / 2)		-----
Total Value (=)		
Total Liens / Encumbrances (-)		
Total Equity (=)		
Percent of Equity Allowed (x)		
Total Amount Available for Deferral (=)		

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.

WASHINGTON STATE DEPARTMENT OF REVENUE 114

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 115

115

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

WASHINGTON STATE DEPARTMENT OF REVENUE 116

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 117

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 118

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 119

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 120

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 121

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 122

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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



WASHINGTON STATE DEPARTMENT OF REVENUE 123

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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



WASHINGTON STATE DEPARTMENT OF REVENUE 124

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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.



WASHINGTON STATE DEPARTMENT OF REVENUE 125

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Question Time!

Who needs to sign the deferral application?

- Applicant only
- Applicant & spouse/domestic partner
- Applicant & co-tenant
- Applicant & any others with an ownership interest



WASHINGTON STATE DEPARTMENT OF REVENUE 126

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 127

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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.

WASHINGTON STATE DEPARTMENT OF REVENUE 128

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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.

Example: We had a recent inquiry from a county where a parcel was owned by two brothers and split administratively. Each brother was responsible for taxes on their "parcel". One of the parcels became delinquent and the brother who was current on his taxes inquired about the deferral. The twist to this scenario was that the brother who had delinquent taxes was absent and not available to sign the deferral. Unless the brother with the delinquent parcel is found and signs the deferral, foreclosure proceedings can take place. If the brother is found and signs the deferral, then protection is provided and prohibits foreclosure action.

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.

WASHINGTON STATE DEPARTMENT OF REVENUE 129

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Senior Citizen / People with Disabilities Deferral

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

WASHINGTON STATE DEPARTMENT OF REVENUE 130

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Foreclosure Action

Def #	Principal	Interest	Deferral Balance @ 12/31/2024	In Collection Status
1878	\$179,431.48	\$90,789.58	\$270,221.06	
0006	\$28,025.41	\$56,050.82	\$84,076.23	
2168	\$69,188.95	\$138,377.90	\$207,566.85	
0126	\$11,863.44	\$23,726.88	\$35,590.32	
1805	\$19,017.93	\$38,035.86	\$57,053.79	
2523	\$67,232.12	\$134,464.24	\$201,696.36	
0213	\$14,848.92	\$29,697.84	\$44,545.76	
0798	\$26,493.78	\$52,987.56	\$79,481.34	
1448	\$11,213.53	\$22,427.06	\$33,640.59	
1931	\$14,561.13	\$29,122.26	\$43,683.39	
0005	\$28,111.09	\$56,222.18	\$84,333.27	
0138	\$25,462.12	\$50,924.24	\$76,386.36	
1803	\$27,893.41	\$55,786.82	\$83,680.23	
1405	\$18,482.93	\$36,965.86	\$55,448.79	
1417	\$19,393.49	\$38,786.98	\$58,180.47	
2677	\$41,262.18	\$82,524.36	\$123,786.54	
0275	\$16,174.36	\$32,348.72	\$48,517.48	
2809	\$11,114.17	\$22,228.34	\$33,342.51	
0782	\$18,271.52	\$36,543.04	\$54,814.56	
0780	\$18,271.52	\$36,543.04	\$54,814.56	

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

WASHINGTON STATE DEPARTMENT OF REVENUE 131

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Also, please note that our "In Collection Status" means it has been flagged for a canceling event in our system. This could mean that the applicant sold the property, passed away, moved, has negative equity, is in foreclosure.

Questions?



Senior Citizen / People with Disabilities Deferral Program

WASHINGTON STATE DEPARTMENT OF REVENUE 132

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Question Time!

What is the significance of a "spendthrift" clause?

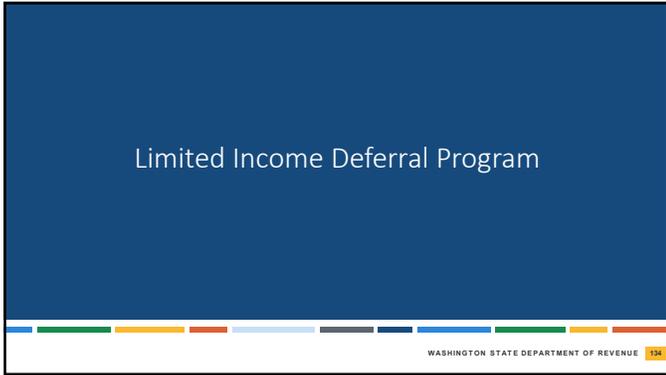
- Prevents encumbrance
- A lien cannot be filed
- Unable to secure the State's interest
- DOR cannot pay the property tax
- None of the above
- All of the above



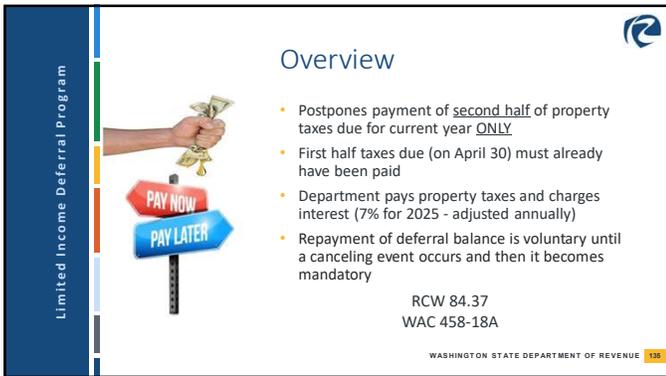
WASHINGTON STATE DEPARTMENT OF REVENUE 133

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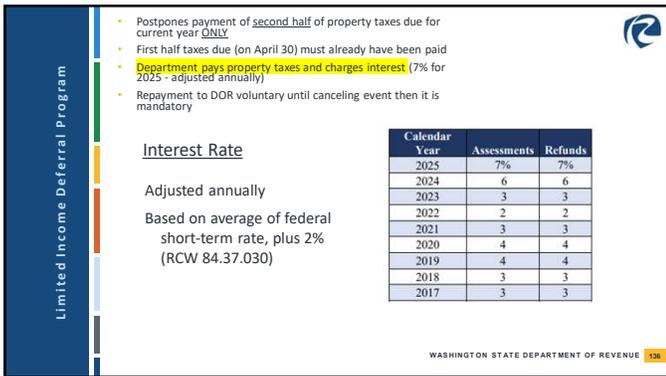
When someone defers property tax, the State has to encumber the property in the form of a lien filed against that property. If there is a type of "spendthrift" clause that prevents encumbrance, we will not be able to pay the property tax because we cannot file the lien against the property to secure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



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https://dor.wa.gov/sites/default/files/2023-08/Interest_Rates.pdf

Limited Income Deferral interest rate is the same as the state excise tax interest rate

Limited Income Deferral Program

Equity Example

Equity Requirement – Partial Ownership
Same calculation as Senior/Disabled Deferral

- 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

New Deferral Applicant	Insurance & Loss Payee	No Insurance No Loss Payee
Land Value (+)	(75,000/2)	37,500
Improvement Value (+)	(250,000/2)	125,000
Total Value (+)		162,500

WASHINGTON STATE DEPARTMENT OF REVENUE 143

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Limited Income Deferral Program

Applications

- 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

WASHINGTON STATE DEPARTMENT OF REVENUE 145

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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.

WASHINGTON STATE DEPARTMENT OF REVENUE 146

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 147

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Limited Income Deferral Program

Applications – Approved Only

Department role

- File lien
- Requests payment from Office of State Treasurer (OST) for 50% property tax/special assessments due to counties/taxing districts
- Maintain accounts receivable
- Provides annual reports to assessors & treasurers
- Collects account balances



WASHINGTON STATE DEPARTMENT OF REVENUE 148

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Limited Income Deferral Program

Side by Side Glance

	Limited Income Deferral Program	Senior/Disabled Deferral Program
Age/Disability Ownership Occupancy Income	None Must own property for 5 years Must occupy 6+ months (calendar year) \$57,000	60 or disabled by SSA definition Must own property Must occupy 6+ months (calendar year) Income Threshold 3 or lower
Equity	40% Land & Improvement Value	80% Land & Improvement Value
Application Approval Process	Only current year eligible for deferment & first half taxes must be paid Submit to Dept by October 1 st for review & payment of 2 nd half taxes	"Back years" can be included Submit to Dept for review & payment of taxes – no "due date"
Collection of Deferred Tax	Voluntary unless canceling event & then mandatory	Voluntary unless canceling event & then mandatory

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Other than qualifications, equity & taxes that can be deferred, the deferral processes are pretty much the same. The equity calculation is the same, just different percentages. The roles/responsibilities of the Assessor, Treasurer, Department are the same. The collection of deferred tax and canceling events is the same.

Questions?

Limited Income Deferral Program WASHINGTON STATE DEPARTMENT OF REVENUE 150

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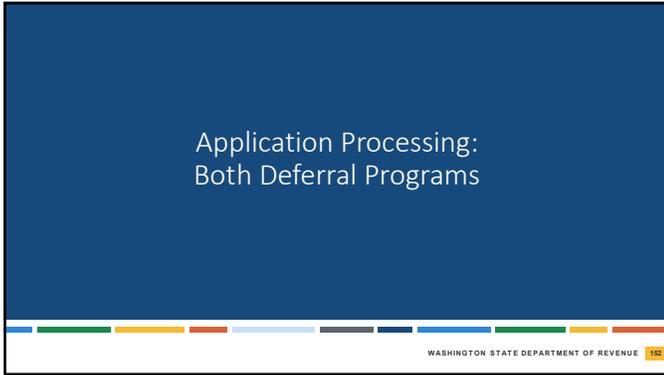
Question Time!

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

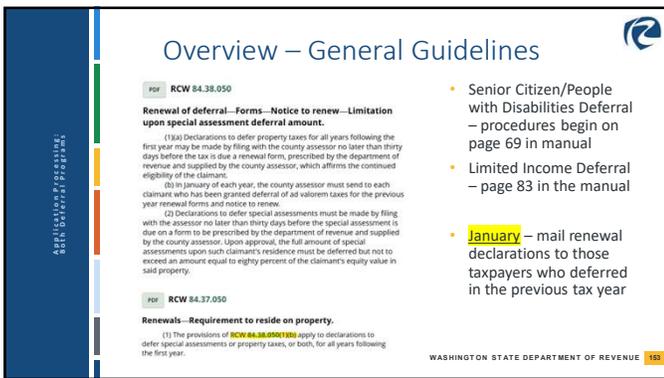
- 2%
- 3%
- 4%
- 5%
- 6%
- 7%
- 8%

WASHINGTON STATE DEPARTMENT OF REVENUE 151

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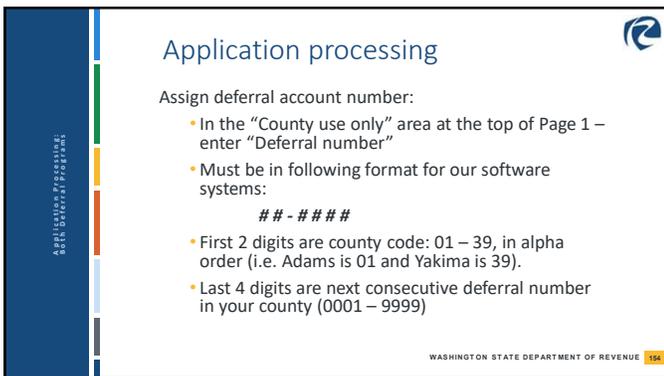


152



153

The Department sends out an annual report in January. Use this report to compile your mailing list for renewals. It is a requirement in the RCW's that the assessor sends renewal applications in January.



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Application Processing

Verify the following:

- Liens/Obligations
- ✓ Balance(s)

WASHINGTON STATE DEPARTMENT OF REVENUE 158

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Applicant listed January 1 balance for liens and mortgages and amounts listed are correct - verified by documentation provided by applicant

For all the lien/obligation balances listed on the deferral, do you have the statements that confirm these amounts?

These statements will also need to be provided to DOR with the deferral application since it impacts the equity calculation

Application Processing

Verify the following:

- Homeowners Insurance
- ✓ Policy #
- ✓ Effective Dates
- ✓ Agent Info
- ✓ Loss Payee
- ✓ Dwelling Coverage

WASHINGTON STATE DEPARTMENT OF REVENUE 159

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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

We look for dwelling coverage on the homeowner's insurance since the lesser of the two (dwelling coverage or assessed value) is used in the equity calculation.

For example, if the dwelling coverage is \$678,000 and the total land/improvement value is \$900,000: then 678,000 will be used in the equity calculation.

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

WASHINGTON STATE DEPARTMENT OF REVENUE 160

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 161

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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.

New Deferral Applicant	Insurance & Loss Payee
Total Value	
Dwelling Coverage	
Value used in Equity Calculation:	
Total Liens / Encumbrances (-)	
Total Equity (=)	0
Percent of Equity Allowed (x)	80%
Total Amount Available for Deferral (=)	0

WASHINGTON STATE DEPARTMENT OF REVENUE 162

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 164

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Application Processing




Approve or Deny

WASHINGTON STATE DEPARTMENT OF REVENUE 165

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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

WASHINGTON STATE DEPARTMENT OF REVENUE 166

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

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

WASHINGTON STATE DEPARTMENT OF REVENUE 167

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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
 - Lien/obligation statements
 - 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.

WASHINGTON STATE DEPARTMENT OF REVENUE 169

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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 "Application Processing: Both Deferral Programs" on the left and "WASHINGTON STATE DEPARTMENT OF REVENUE 170" on the right.

Questions?

Application Processing: Both Deferral Programs WASHINGTON STATE DEPARTMENT OF REVENUE 170

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A blue slide with the title "Question Time!" and a list of five confidence levels. To the right is an image of a calculator, a house, and a sign that says "Property Tax". At the bottom, there is a footer with "WASHINGTON STATE DEPARTMENT OF REVENUE 171" on the right.

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!

Property Tax

WASHINGTON STATE DEPARTMENT OF REVENUE 171

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A blue slide with the text "Reports – Deferral Programs". At the bottom, there is a footer with "WASHINGTON STATE DEPARTMENT OF REVENUE 172" on the right.

Reports – Deferral Programs

WASHINGTON STATE DEPARTMENT OF REVENUE 172

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Reports – Deferral Programs

Reports



Year-end reports

- 6 reports
- 3 for each program

We will send year-end reports for both deferral programs

- Mid-January

WASHINGTON STATE DEPARTMENT OF REVENUE 173

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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.

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Reports – Deferral Programs

Reports

Active Deferral Account Reports

Code	County
01	Adams
02	Asotin
03	Benton
04	Chelan
05	Clallam
06	Clark
07	Columbia
08	Cowlitz
09	Douglas
10	Ferry
11	Franklin
12	Garfield

Workbook Instructions:

To select only your county data, click on the worksheet tab labeled "County Code" and filter the two-digit code for your county. Then, use the filter function on each of the other worksheets to see the data for only your county. Follow these steps to use the filter function:

1. Select a worksheet by clicking on the labeled tab at the bottom of the screen (Senior/Disabled-Active, Senior/Disabled-Closed, Limited Income-Active, Limited Income-Renewal).
2. In the first row, first column (cell A1), click on the down arrow.
3. On the drop-down menu, click on "Select All" to remove the check mark.
4. Now, click on the 2-digit code for your county.
5. Click on "OK".

To print a hard-copy of the report, simply select print.

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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.

Reports

Prior Year Applicants (Renewals)

- 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

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Reports

Prior Year Applicants (Renewals)

Code	County
01	Adams
02	Asotin
03	Benton
04	Chelan
05	Columbia
06	Clark
07	Cowlitz
08	Douglas
09	Ferry
10	Franklin
11	Garfield
12	Grant

Workbook Instructions:

To select only your county data, click on the worksheet tab labeled "County Code" and find the two digit code for your county. Then, use the filter function on each of the other worksheets to see the data for only your county. Follow these steps to use the filter function:

- Select a worksheet by clicking on the labeled tab at the bottom of the screen (Senior/Disabled Active, Senior/Disabled Closed, Limited Income Active, Limited Income Renewal)
- In the first row, first column (cell A1), click on the down arrow
- On the drop-down menu, click on "Select All" to remove the check mark.
- Now, click on the 2-digit code for your county
- Click on "OK"

To print a hard-copy of the report, simply select print.

WASHINGTON STATE DEPARTMENT OF REVENUE 177

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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 178

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Reports

Deferral Accounts Paid/Closed During prior year

Code	County
01	Adams
02	Asotin
03	Benton
04	Chelan
05	Cllalam
06	Clark
07	Columbia
08	Cowlitz
09	Douglas
10	Ferry
11	Franklin
12	Garfield

Workbook Instructions:

To select only your county data, click on the worksheet tab labeled "County Code" and find the two-digit code for your county. Then, use the filter function on each of the other worksheets to see the data for only your county. Follow these steps to use the filter function:

1. Select a worksheet by clicking on the labeled tab at the bottom of the screen (Senior/Disabled Active, Senior/Dis...
2. In the first row, first column (cell A1), click on the down arrow.
3. On the drop-down menu, click on "Select All" to remove the check mark.
4. Now, click on the 2-digit code for your county.
5. Click on "OK".

To print a hard copy of the report, simply select print.*

County Code Senior/Disabled-Active Senior/Disabled - Renewals Senior/Disabled-Closed Limited Income-Active Limited Income-Renew

WASHINGTON STATE DEPARTMENT OF REVENUE 179

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When it says "Pending" on the report, that means that we have received a payment, we have sent the lien release to the county recording office and we are just waiting for the recorded document to be sent back so we can officially close the account.



Questions?

Reports - Deferral Programs

WASHINGTON STATE DEPARTMENT OF REVENUE 180

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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 181

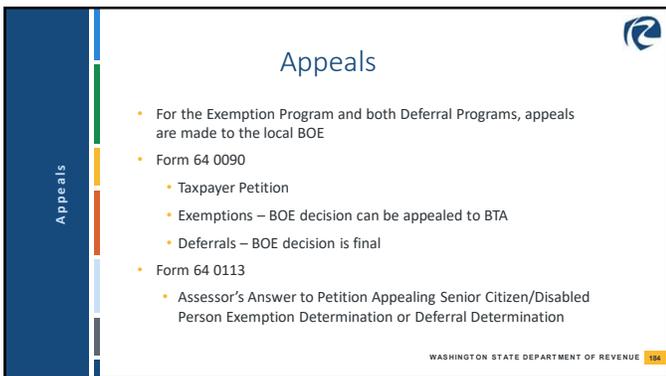
181



182



183



184

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 185

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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

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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 187

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Appeals

Appeals

DOR BOE/Appeals Specialist

- Diana Burch
- (360) 534-1468
- DianaBu@DOR.WA.GOV



WASHINGTON STATE DEPARTMENT OF REVENUE 188

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Questions?

Appeals

WASHINGTON STATE DEPARTMENT OF REVENUE 189

189

Question Time!

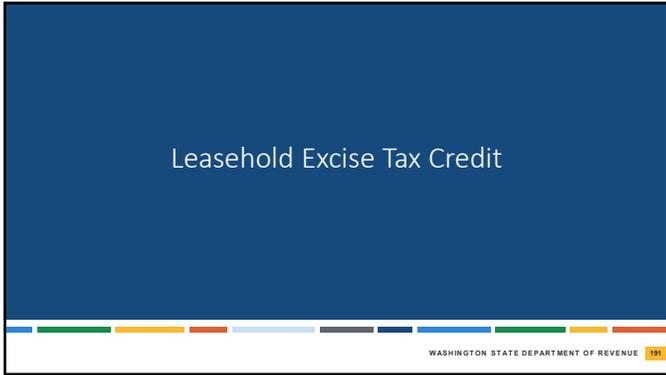
An exemption applicant was denied and wants to appeal the Assessor's decision. What options for appealing do they have?

- None
- County BOE
- County BOE and State BTA

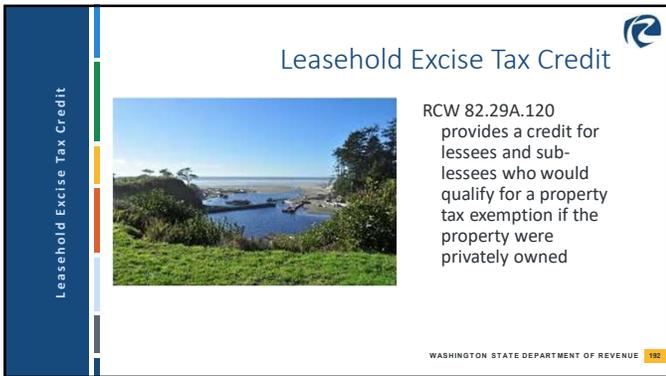


WASHINGTON STATE DEPARTMENT OF REVENUE 190

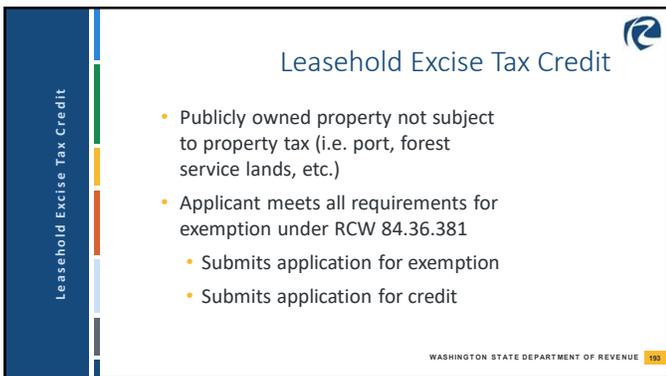
190



191



192



193

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 194

194

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 195

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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
- Leasehold Excise Tax Credit Application Form Form 64 0082
- Leasehold Excise Tax Calculation Worksheet Form 86 0072



WASHINGTON STATE DEPARTMENT OF REVENUE 196

196

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 197".

Leasehold Excise Tax Credit

WASHINGTON STATE DEPARTMENT OF REVENUE 197

197

A slide with a blue background on the left and a white background on the right. The left side says "Question Time!" and "Are there any Leasehold Excise Tax Credits in your county?" with a bulleted list: "• Yes" and "• No". The right side features an image of a calculator, a small house, and a sign that says "Property Tax". At the bottom, it says "WASHINGTON STATE DEPARTMENT OF REVENUE 198".

Question Time!

Are there any Leasehold Excise Tax Credits in your county?

- Yes
- No

Property Tax

WASHINGTON STATE DEPARTMENT OF REVENUE 198

198

A blue slide with the text "Documentation, Confidential Taxpayer Information, Records Retention". At the bottom, it says "WASHINGTON STATE DEPARTMENT OF REVENUE 199".

Documentation, Confidential Taxpayer Information, Records Retention

WASHINGTON STATE DEPARTMENT OF REVENUE 199

199

Documentation, Confidential Taxpayer Information.

Documentation

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

WASHINGTON STATE DEPARTMENT OF REVENUE 200

200

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 201

201

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 202

202

Documentation, Confidential, Employer Information.

Documentation

Age:

- Driver's license or other ID
- Birth certificate

Disability:

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

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 203

203

Documentation, Confidential, Employer 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 204

204

Documentation, Confidential, Employer 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 205

205

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?

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 206

206

Documentation, Confidential Taxpayer Information

Confidential Taxpayer Information

Reminder!

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

WASHINGTON STATE DEPARTMENT OF REVENUE 207

207

Best practice

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

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 208

208

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 209".

Questions?

Documentation, Confidential Taxpayer Information, Records Retention WASHINGTON STATE DEPARTMENT OF REVENUE 209

209

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 210".

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 210

210

A blue slide with the text "Disposable Income". At the bottom, there is a footer with the text "WASHINGTON STATE DEPARTMENT OF REVENUE 211".

Disposable Income

WASHINGTON STATE DEPARTMENT OF REVENUE 211

211

Disposable Income

Disposable Income



What is Disposable Income?

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

- is defined in RCW 84.36.383
- 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 212

212

WASHINGTON STATE LEGISLATURE

RCWs > Title 84 > Chapter 84.36 > Section 84.36.383

84.36.381 << 84.36.383 >> 84.36.385

PDF RCW 84.36.383

Residences—Definitions.

As used in RCW 84.36.381 through 84.36.389, unless the context clearly requires otherwise:

(1) "Accessory dwelling unit" means a separate, autonomous residential dwelling unit that provides complete independent living facilities for one or more persons and includes permanent provisions for living, sleeping, eating, cooking, and sanitation.

(2) "Combined disposable income" means the disposable income of the person claiming the exemption, plus the disposable income of his or her spouse or domestic partner, and the disposable income of each cotenant occupying the residence for the assessment year, less amounts paid by the person claiming the exemption or his or her spouse or domestic partner during the assessment year for:

(a) Drugs supplied by prescription of a medical practitioner authorized by the laws of this state or another jurisdiction to issue prescriptions;

(b) The treatment or care of either person received in the home or in a nursing home, assisted living facility, or adult family home;

WASHINGTON STATE DEPARTMENT OF REVENUE 213

213

Definition for Disposable Income is found in RCW 84.36.383 (7)

Disposable Income

Disposable Income

RCW 84.36.383(7) 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 214

214

The definition of disposable income is very specific. I do want to draw your attention to the remainder of this definition: to the extent that they are not included or have been deducted in determination of adjusted gross income. What does this mean?

Disposable Income

Disposable Income

2a	Tax-exempt interest	2a		b	Taxable interest	2b	250
3a	Qualified dividends	3a		b	Ordinary dividends	3b	4,000
4a	IRA distributions	4a		b	Taxable amount	4b	
5a	Pensions and annuities	5a	35,000	b	Taxable amount	5b	32,000
6a	Social security benefits	6a	20,000	b	Taxable amount	6b	5,000
c If you elect to use the lump-sum election method, check here (see instructions)							
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here					7	-3,000
8	Additional income from Schedule 1, line 10					8	
9	Add lines 1, 2, 3b, 4b, 5b, 6b, 7, and 8. This is your total income					9	
10	Adjustments to income from Schedule 1, line 20					10	
11	Subtract line 10 from line 9. This is your adjusted gross income					11	38,250

Pension/Annuity (Line 5a)	
Pension/Annuity (Line 5b)	
Non-taxable portion to add back	0

Social Security (Line 6a)	
Social Security (Line 6b)	
Non-taxable portion to add back	0

WASHINGTON STATE DEPARTMENT OF REVENUE 218

218

The gross amounts show up in box A. And the taxable amounts show up in box B. The non-taxable amounts are what are not included in the AGI.

Disposable Income

Disposable Income

Enter Pension on Line 7
Enter SSA on Line 10

Combined Disposable Income Worksheet		\$ Amount
Disposable Income:		
1	Federal adjusted gross income from Federal Form 1040	\$ 38,250.00
2	Capital Gains not reported on federal income tax return.	\$ -
3	Losses reported on your federal income tax return.	\$ 3,000.00
4	Depreciation reported on your federal income tax return.	\$ -
5	Wage income nontaxable and/or not reported on your federal income tax return.	\$ -
6	Dividend or interest income nontaxable and/or not reported on your federal income tax return.	\$ -
7	Pension and annuity income nontaxable and/or not reported on your federal income tax return.	\$ -
8	Military pay and benefits nontaxable and/or not reported on your federal income tax return.	\$ -
9	Veterans pay and benefits nontaxable and/or not reported on your federal income tax return.	\$ -
10	Social Security or railroad retirement benefits nontaxable and/or not reported on your federal income tax return.	\$ -
11	Business, rental, or farming income not reported on your federal income tax return.	\$ -
12	Other income not included in amounts on Lines 1-11.	\$ -
13	Total Disposable Income	\$ 41,250.00

WASHINGTON STATE DEPARTMENT OF REVENUE 219

219

The non-taxable amounts were not included in the AGI; therefore we add them back into our income calculation.

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(7) and WAC 458-16A-100(13)

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 220

220

So that was an example when a tax return was provided.

How would we calculate income when a tax return is not provided?

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 224

224

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 225

225

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

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 226

226

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 227

227

Disposable Income

Disposable Income

Use:
Average monthly CDI after change

$$\frac{\quad}{\quad} \times 12 = \text{Estimated CDI}$$

See manual – pages 122 – 123 for examples

WASHINGTON STATE DEPARTMENT OF REVENUE 228

228

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.

Disposable Income

Disposable Income

1a	
1b	
1c	
1d	
1e	
1f	
1g	
1h	
1i	
1j	
2a	250
2b	4,000
2c	
2d	32,000
2e	3,000
2f	
2g	
2h	
2i	
2j	
2k	
2l	
2m	
2n	
2o	
2p	
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6o	
6p	
6q	
6r	
6s	
6t	
6u	
6v	
6w	
6x	
6y	
6z	
7	-3,000
8	
9	
10	
11	38,250

Example:
2024 tax return provided
Applicant discloses their spouse passed away on 5/14/2024 and they no longer will be receiving the pension

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$5,292.28
05-09	Card Purchase: W&M Pin	55.10	5,237.18
05-09	05-05 Payment	-1,000.00	4,237.18
05-10	05-10 Online Payment	-1.75	4,235.43
05-12	05-12 Online Payment	9,100.00	13,335.43
05-12	05-12 Online Payment	500.00	12,835.43
05-23	Card Purchase	38.91	12,796.52
07-01	SSA: Treva 310 - Xanon Sec.	1,667.60	2,088.92

WASHINGTON STATE DEPARTMENT OF REVENUE 228

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At this point you might want to request bank statements to see what the applicant is receiving now.

And in this situation, where you can see on the bank statement that the applicant is only receiving social security, you could multiply that amount by 12 and then exclude the pension amount from the calculation.

Disposable Income

Disposable Income

Combined Disposable Income Worksheet

	\$ Amount
Disposable Income:	
1 Federal adjusted gross income from Federal Form 1040	\$ --
2 Capital Gains not reported on federal income tax return	\$ --
3 Losses reported on your federal income tax return	\$ --
4 Depreciation reported on your federal income tax return	\$ --
5 Wage income nontaxable and/or not reported on your federal income tax return	\$ --
6 Dividend or interest income nontaxable and/or not reported on your federal income tax return	\$ 4,260.00
7 Pension and annuity income nontaxable and/or not reported on your federal income tax return	\$ 35,000.00
8 Military pay and benefits nontaxable and/or not reported on your federal income tax return	\$ --
9 Veterans pay and benefits nontaxable and/or not reported on your federal income tax return	\$ --
10 Social Security or railroad retirement benefits nontaxable and/or not reported on your federal income tax return	\$ 20,000.00
11 Business, rental, or farming income not reported on your federal income tax return	\$ --
12 Other income not included in amounts on Lines 1-11	\$ --
Total Disposable Income	\$ 59,260.00

We started with the original income calculation, took out the pension/annuity amount and recalculated the social security to get the income average.

WASHINGTON STATE DEPARTMENT OF REVENUE 230

230

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 231

231

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 232

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Disposable Income

Disposable Income – Capital Gains

PART I - Calculating the Gain

(A) Selling Price of Old Home		
(B) Allowable Sales Expenses		
Total		\$0
(C) Proceeds from Sale of Old Home (C = A - B)		\$0
(D) Purchase Price of Old Home		
(E) Cost of any Improvements		
Total		\$0

To determine capital gains on the sale of a primary residence you will need:

- Selling price of old home (\$200,000)
- Selling fees (\$18,000)
- Original purchase price of old home (\$125,000)
- Adjustments to basis (\$18,750)
- Purchase price of new home (\$150,000)

WASHINGTON STATE DEPARTMENT OF REVENUE 233

233

If the amount on Line (I) is -0- or less, then the entire gain has been reinvested. This is only done for the sale of a primary residence. If it is a second home, rental, etc, we stop at Line G. Typically we should already see this on the tax return.

Disposable Income

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.”

WASHINGTON STATE DEPARTMENT OF REVENUE 234

234

Disposable Income

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 235

235

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 236

236

Remember the tax return example when we had the 3000 loss on the Schedule D? When we added up all the figures, we can see that the 3000 loss “offsets” the total income by reducing it.

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 237

237

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)

WASHINGTON STATE DEPARTMENT OF REVENUE 238

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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 248

248

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 249

249

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 250

250

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

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 251

251

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

WASHINGTON STATE DEPARTMENT OF REVENUE 252

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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 253

253

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.

WASHINGTON STATE DEPARTMENT OF REVENUE 254

254

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)

WASHINGTON STATE DEPARTMENT OF REVENUE 255

255

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

WASHINGTON STATE DEPARTMENT OF REVENUE 256

256

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 257" on the right.

Questions?

Disposable Income WASHINGTON STATE DEPARTMENT OF REVENUE 257

257

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 with colored segments and the text "WASHINGTON STATE DEPARTMENT OF REVENUE 258" on the right.

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 258

258

A blue slide with the text "Combined Disposable Income". At the bottom, there is a decorative bar with colored segments and the text "WASHINGTON STATE DEPARTMENT OF REVENUE 259" on the right.

Combined Disposable Income

WASHINGTON STATE DEPARTMENT OF REVENUE 259

259

Combined Disposable Income

Combined Disposable Income



Defined in:

- RCW 84.36.383(2)
- 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.

WASHINGTON STATE DEPARTMENT OF REVENUE 260

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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 261

261

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 262

262

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...

WASHINGTON STATE DEPARTMENT OF REVENUE 263

263

NOTE: it does not include co-tenant deductions. We include their income, but the law does not allow their deductions to be included.

WASHINGTON STATE LEGISLATURE

RCWs > Title 84 > Chapter 84.36 > Section 84.36.383

84.36.381 << 84.36.383 >> 84.36.385

PDF RCW 84.36.383

Residences – Definitions.

As used in RCW 84.36.381 through 84.36.389, unless the context clearly requires otherwise:

(1) "Accessory dwelling unit" means a separate, autonomous residential dwelling unit that provides complete independent living facilities for one or more persons and includes permanent provisions for living, sleeping, eating, cooking, and sanitation.

(2) "Combined disposable income" means the disposable income of the person claiming the exemption, plus the disposable income of his or her spouse or domestic partner, and the disposable income of each cotenant occupying the residence for the assessment year, less amounts paid by the person claiming the exemption or his or her spouse or domestic partner during the assessment year for:

(a) Drugs supplied by prescription of a medical practitioner authorized by the laws of this state or another jurisdiction to issue prescriptions.

(b) The treatment or care of either person received in the home or in a nursing home, assisted living facility, or adult family home;

(c) Health care insurance premiums for medicare under Title XVIII of the social security act;

(d) Costs related to medicare supplemental policies as defined in Title 42 U.S.C. Sec. 1395ss;

(e) Durable medical equipment, mobility enhancing equipment, medically prescribed oxygen, and prosthetic devices as defined in RCW 82.08.0283;

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Items A, B & C are the original deductions that were available until the law changed for the 2022 tax year & forward. For any back year applications before 2022, only these original deductions apply.

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**

Will be deductible starting with tax year 2022 under the new provision RCW §4.00.300(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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Since we mention “Life Alert” here as a monitoring service, we have had questions come up about “Life Flight”. This is a transportation service, so it would not qualify as an in-home care cost. And it is also a membership service where you can choose what type of transportation coverage you want. There are no copays or deductibles because the “cost-sharing amount” is covered in full by the membership, so it would not qualify as a cost sharing expense either.

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)

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

- 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

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

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 – Medicare Advantage – should see “Medicare Advantage” 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?

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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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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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

Combined Disposable Income – Allowable Deductions


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

Combined Disposable Income

Combined Disposable Income – Allowable Deductions


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Table 5 Prosthetic Device Examples		
<ul style="list-style-type: none"> • Abdominal belts, binders, and supports • Acetabular cups • Ankle brace • Antiembolism stocking • Artificial eyes, heart valves, larynx, limbs • Back braces • Bone cement and wax • Bone pins, plates, nails, screws • Breast implants and external prosthesis • Cervical collars • Cochlear implant • Continuous positive airway pressure (CPAP) machines which are specifically designed to be wholly worn on the body and portable • Corrective eye glasses and contact lenses • Dental prostheses including, but not limited to, full and partial dentures, crowns, inlays, fillings, braces, and retainers 	<ul style="list-style-type: none"> • Drainage devices for single patient use because they serve the same drainage functions as the body's natural systems • Ear, nose, and throat implants • Eye glass frames and lenses • Foley catheter • Gastric bands and intragastric balloons • Hand and feet implants • Head hatters • Hearing aids • Implanted pacemakers • Insulin pumps • Knee immobilizers • Mastectomy surgical bras • Maxillofacial devices implanted • Membrane implants (neutron, spinal, joint) • Ocular implants • Orthobologics implants • Orthopedic shoes, shoe lifts, inserts, arch supports, heel protectors • Pressure garments - Edema gloves • Pressure garments - Mast pants, burn garments • Salem sump with anti-reflux valve • Shoulder and elbow implants • Skin implants - Synthetic 	<ul style="list-style-type: none"> • Slings, braces, collars, casts, splints, embolism stockings, arch pads, pelvic traction belts, traction pulley clamp assemblies and cords • Slings - Medical • Specialized orthotic shoes, post-operation shoes, cast shoes, diabetic shoes and inserts, and other similar apparatus • Speech aids (electronic) worn on the body • Splinters - Medical • Splints and splint materials • Stent implants through endoscopy • Stents (biliary, coronary and urinary) • Stockings - Compression • Sutures, staples, and skin glue for closing wounds • Tendon implants • TENS units worn on the body • Testicular and penile implants • Trachea tubes • Trusses

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Combined Disposable Income

Combined Disposable Income – Allowable Deductions


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(e) Medically prescribed oxygen

- RCW [82.08.0283](#)
- WAC [458-20-18801](#)
- is not limited to gaseous or liquid oxygen (chemical designation O2); includes, among other things, oxygen concentrator systems, oxygen enricher systems, liquid oxygen systems, and gaseous, bottled oxygen systems. The primary use of the equipment must be for the generation or storage of medically prescribed oxygen (O2). These systems include regulators, cannulae, masks, and similar items used to deliver the oxygen to the individual from the oxygen generation or storage device. The deduction for medically prescribed oxygen only applies to items up to the point the sales-tax exempt oxygen system is connected to the sales-taxable system. From that point of connection forward to the patient, masks, tubing, or other similar items remain part of the taxable system and are not eligible for the deduction.

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Combined Disposable Income

Combined Disposable Income – Allowable Deductions

(f) Long-term care insurance

- RCW [48.84.020](#)
- means any insurance policy or benefit contract primarily advertised, marketed, offered, or designed to provide coverage or services for either institutional or community-based convalescent, custodial, chronic, or terminally ill care. Such terms do not include and this shall not apply to policies or contracts governed by the medicare supplemental health insurance act and continuing care retirement communities
- continuing care retirement communities also known as CCRCs or life plan communities, are a long-term care option for older people who want to stay in the same place through different phases of the aging process. They are non state licensed and do not fall under the categories nursing or adult family homes or assisted living facilities either. Expenses for CCRCs are not deductible.
- <https://fortress.wa.gov/dshs/adsaapps/lookup/ccrclookup.aspx>

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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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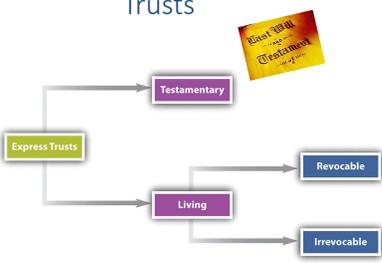
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Trusts

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Trusts



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When property is held in a trust, the trust is essentially the owner. There is no provision for ownership through a trust for the property tax relief programs. Therefore, in order for the applicant to qualify, the trust must also qualify.

Trusts



Grant and Deferral Programs:

- Revocable trusts specifically **do not qualify**
- Irrevocable trusts **MAY** qualify
 - 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)

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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

- Typically, the first paragraph provides name(s) of creator(s) and name of trust.
- The language you need can be anywhere in the trust, which is why it is important to receive all pages, not just the portion an applicant thinks you need.
- When in doubt, follow the Trust Step-by-Step guide!

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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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