

## **CHECKLIST**

### **DEFERRAL FOR HOMEOWNERS WITH LIMITED INCOME**

#### **APPLICATION MUST BE SUBMITTED PRIOR TO SEPTEMBER 1, 2021**

Attached is an application for the Deferral for Homeowners with Limited Income program for the second half of the **2021 property taxes using your 2020 income (may not exceed \$57,000)**. You must pay your first half 2021 property taxes in order to submit this application. Application can be made for your primary residence only, which you must occupy.

#### **Documentation must be provided for:**

- **Income – including a copy of your 2020 Federal tax return**
- **Mortgage or Lien (2020 year-end) balance documents**
- **Verification of first half property taxes paid**
- **Fire & Casualty insurance policy – with the State of WA Department of Revenue listed as loss payee**
- **Proof of ownership – Copy of your deed. You must have owned the property for more than 5 years**

#### **Please READ & COMPLETE all areas of the application.**

Your **signature is required** on page 3. If applicable, the signature(s) of any other interested owners on the deed are also required.

Please be aware, this program creates a lien on your property and the deferred amount must be repaid to Washington State should you sell or transfer ownership of the home, move, if your property is condemned, or upon your death.

Return the application and required documentation to the Snohomish County Assessor's Office, Exemption Department, 3000 Rockefeller Ave #510, Everett WA 98201 in the envelope provided. If approved, it will be forwarded to the **Washington State Department of Revenue** for their approval and payment. Repayment to the State may be made at any time in any amount during your ownership. For any payoff amounts, please call the Department of Revenue in Olympia at **1-360-534-1410**. If you have any questions regarding this deferral application, please call the Exemption Department at (425) 388-3540.

# Deferral Application for Homeowners with Limited Income

## Chapter 84.37 RCW

Complete this application in its entirety and file along with all supporting documents at your county assessor's office. File no later than September 1 in the year the taxes are due. For assistance, contact your county assessor at [dor.wa.gov/countycontacts](http://dor.wa.gov/countycontacts).

### County use only

Deferral number:

Processed by:

Approve/deny date:

Deny reason:

**This deferral application is for the second half of real property taxes due in the year.**

Year:

Parcel or account number:

## 1 Applicant information

Applicant name:

Spouse/domestic partner or co-tenant name:

Other occupants:

Residence address:

City:

State:

Zip:

Mailing address (if different than residence address):

City:

State:

Zip:

Home phone:

Cell phone:

Email:

## 2 Ownership and occupancy

Date property purchased:

Date property initially occupied:

I occupy the residence:  More than 6 months in a calendar year.  Less than 6 months in a calendar year.

## 3 Property information

Type of residence:

Single-family home  Single unit of a multi-unit dwelling duplex/condo  Mobile home

If mobile home, provide a copy of the Department of Licensing Certificate of Title or Title Elimination document.

This residence includes:

Less than or equal to one acre of land.

More than one acre of land.

If more than one acre, list the zoning regulation for your parcel.

Homeowners insurance:  Yes  No

If yes, provide a copy of your most recent Fire and Casualty Insurance policy and/or statement. See the instructions for more information regarding homeowners insurance.

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**Liens and obligations (include balance as of January 1)**

- Reverse Mortgage       Yes       No \$
- 1st Mortgage           Yes       No \$
- 2nd Mortgage          Yes       No \$
- Special assessments    Yes       No \$
- Other liens, HELOC, etc.  Yes       No \$

**4 Disposable income/combined disposable income.      Year:**

Disposable income	Amount
Did you file a federal income tax return? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>A. Total (W-2) wage income</b>	
<b>B. Total interest and dividend income</b>	
<b>C. Total pension, annuity and IRA distribution income</b>	
<b>D. Total social security and railroad retirement benefits income</b>	
<b>E. Total business income (no reduction for losses or depreciation)</b>	
<b>F. Total capital gain income</b>	
<b>G. Total income from rentals, royalties, partnerships, S corps, trusts, farms (no reduction for losses or depreciation)</b>	
<b>H. Total military pay and benefit income</b>	
<b>I. Total veterans pay and benefit income</b>	
<b>J. Total income from any other source including from other household members</b>	

**Subtotal disposable income:      \$ 0.00**

Deductions	Amount
<b>K. Non-reimbursed nursing home, boarding home, or adult family home expenses</b>	
<b>L. Non-reimbursed in-home care expenses</b>	
<b>M. Non-reimbursed prescription drug costs</b>	
<b>N. Medicare Parts A, B, C, and D insurance premiums</b>	
<b>O. Other adjustments to income</b>	

**Subtotal allowable deductions:      \$ 0.00**

**Total combined disposable income:      \$ 0.00**

## 5 Certification

By signing this form, I confirm that I:

- Understand that any deferred real property taxes and/or special assessments, with interest, are a lien upon this property and the lien becomes due when:
  - I transfer ownership of your property to someone else.
  - I no longer permanently reside at the residence.
  - My property is condemned.
  - I no longer maintain a fire and casualty insurance policy naming the Washington State Department of Revenue as a loss payee in an amount that is sufficient to protect the interest of the state, and the deferred amount exceeds 100% of my equity in only the land value.
  - I die. Unless my surviving spouse, domestic partner, heir, or devisee is at least 57 years old, meets the qualifications for the deferral, and files an application with the county assessor within 90 days of your death.
- Understand that future deferrals are not automatic and I must renew my application to defer property taxes in a future year.
- Understand the annual interest rate on deferrals made in 2021 is 3%.
- Declare under penalty of perjury that the information in this application is true and complete.

Applicant signature:

Date:

Percent ownership:

Spouse/domestic partner signature:

Date:

Percent ownership:

Other owner signature:

Date:

Percent ownership:

## Instructions for completing the application

Complete Parts 1 through 5 in their entirety and include supporting documents to avoid delays in application processing. If you have questions, contact your county assessor's office at [dor.wa.gov/countycontacts](http://dor.wa.gov/countycontacts).

This deferral does not have an age or disability requirement. However, before you can qualify to defer your second half taxes you must pay your first half taxes. In addition, your income must be \$57,000 or less, and you must have owned your home for at least 5 years.

### Part 1

A co-tenant is someone who lives with you and has an ownership interest in your home. Other occupants are people who live with you who don't have ownership interest in your home.

### Part 2

Enter the date you purchased the residence and the date you began occupying the residence even if the dates are the same. A share ownership in cooperative housing, life estates, leases for life, and revocable trusts are not qualifying forms of ownership for this deferral program. You must own your home for five years or more before qualifying for this deferral.

### Part 3

Details regarding your specific residence and parcel data can be obtained from your county assessor's office.

If your parcel is more than one acre, but you are only allowed to defer the taxes on one acre, a lien will be placed on your entire property unless you provide a clear legal description for only the portion eligible for the deferral.

You can defer up to 40% of your equity value in the residence. If you have a homeowner's insurance policy that you have **Washington State Department of Revenue-Property Tax Division, PO Box 47471, Olympia WA 98504** as a loss payee, your equity value is the assessed value of the residence plus land minus the debts and encumbrances secured by the property.

If you do not have homeowners insurance or your policy does not list the department as a loss payee, your equity value is the assessed value of land only minus the debts and encumbrances secured by the property.

List the balance of all liens and obligations secured by your property as of January 1 of the application year.

### Part 4

#### How disposable income is calculated

"Disposable income" has a specific definition for the purpose of this program. Per RCW 84.36.383(6), "disposable income" is adjusted gross income, as defined in the federal internal revenue code, plus all of the following that were not included in, or were deducted from, adjusted gross income:

- Capital gains, other than a gain on the sale of a principal residence that is reinvested in a new principal residence.
- Amounts deducted for losses or depreciation.
- Pensions and annuities.
- Social security act and railroad retirement benefits.
- Military pay and benefits other than attendant-care and medical-aid payments.
- Veterans pay and benefits other than attendant-care, medical-aid payments, VA disability benefits, and DIC.
- Dividend receipts.
- Interest received on state and municipal bonds.

**These incomes are included in "disposable income" even when it is not taxable for IRS purposes.**

#### Mid-year income change

If your income substantially decreased for at least two months before the end of the year and you expect the change to continue indefinitely, you may be able to use your new average monthly income to estimate your annual income. Calculate your income by multiplying your new average monthly income (during the months after the change occurred) by 12. Include documentation that shows your new monthly income and when the change occurred with your included documentation.

**Example:** You retired in May and your monthly income decreased from \$3,500 to \$1,000 beginning in June. Multiply \$1,000 x 12 to estimate your new annual income.

**Important:** Calculate disposable income for you, your spouse/domestic partner, and any co-tenant(s). If you report income that is very low or zero, attach documentation showing how you meet your daily expenses.

Use **Line J** to report any income not reported on your tax return and not listed on Lines A through I. Include foreign income not reported on your federal tax return and income contributed by other household members. Provide the source and amount of the income.

### How combined disposable income is calculated

Per RCW 84.36.383(1) "combined disposable income" is your disposable income plus the disposable income of your spouse/domestic partner and any co-tenants, minus expenses for you or your spouse/domestic partner for:

- Prescription drugs.
- Treatment or care of either person in the home or in a nursing home, boarding home, or adult family home.
- Health care insurance premiums for Medicare Parts A, B, C, and D only. Amounts paid for insurance premiums other than Medicare Parts A, B, C, and D are not deductible.

Care or treatment in your home means medical treatment or care received in the home, including physical therapy. You can also deduct costs for necessities such as oxygen, special needs furniture, attendant-care, light housekeeping tasks, meals-on-wheels, life alert, and other services that are part of a necessary or appropriate in-home service.

### Special instructions for Line O

If you had adjustments to your income for any of the following, report these amounts on Line O and include the documentation you used to calculate the amount of the adjustment.

- Educator expenses.
- Self-employment deductions.
- Health savings account deductions.
- Moving expenses for members of the Armed Forces.
- IRA deduction.
- Alimony paid.
- Student loan interest.
- Tuition and fees.

### Income thresholds

The income threshold to qualify for this deferral is \$57,000.

## Part 5

Sign and date the application. You are signing under oath acknowledging all information is true and accurate. You understand the deferred amount plus interest is due under the circumstances listed. If any other person, including your spouse/domestic partner has an ownership interest in the residence, they must also sign and date the application.

### Documentation to include

You must provide documentation to your county assessor's office to support the information reported on the application.

### Proof of income

If you, your spouse/domestic partner, and any co-tenants file a federal tax return, provide a complete copy of the return(s) and all supporting documents that are part of the federal tax return(s).

If you, your spouse/domestic partner, and any co-tenants do not file a federal tax return, provide documentation of all income received by you, your spouse/domestic partner, and any co-tenants.

### Other documents

Include copies of standard federal forms and documents used by others to report income they paid out including, but not limited to, the following:

1. W-2's - Wage & Tax Statement.
  - W-2-G - Certain Gambling Winnings.
2. 1099's.
  - 1099-B - Proceeds from Broker & Barter Exchange.
  - 1099-Div - Dividends & Distributions.
  - 1099-G - Unemployment Compensation, State & Local Income Tax Refund, Agricultural Payments.
  - 1099-Int - Interest Income.
  - 1099-Misc - Contract Income, Rent & Royalty Payments, Prizes.
  - 1099-R - Distributions from Pensions, Annuities, IRA's, Insurance Contracts, Profit Sharing Plans.
  - 1099-S - Proceeds from Real Estate Transactions.
  - RRB-1099 - Railroad Retirement Benefits.
  - SSA-1099 - Social Security Benefits.

## **Other Income Sources**

If you have income from other sources and you did not receive a W-2 or 1099 for the income you received, provide the following:

- A statement from the organization that issued the payments.
- Copies of your monthly bank statements with a statement describing the type of income received (e.g. tips, cash earned from yard sales or odd jobs, rental income, groceries purchased for you in return for a room in your house, etc.).

## **Proof of expenses**

Include copies of invoices, pharmacy statements, coverage statements, etc. for all expenses not reimbursed by insurance or a government program. Allowable expenses are for you or your spouse/ domestic partner for the following:

- Care in a nursing home, boarding home, or adult family home.
- In-home care.
- Prescription drugs.
- Medicare Prescription Drug or Medicare Advantage insurance plans.

## **Proof of ownership and occupancy**

Include copies of documentation showing you meet the ownership and occupancy requirements such as a copy of:

- Deed.
- Mobile home certificate of title or title elimination.
- Trust documents, if applicable.
- Homeowner's insurance policy/statement.

Any other documents your county assessor requests.



## Property Tax Deferral for Homeowners with Limited Income

Washington state has a property tax relief program for homeowners with limited income.

### Overview

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

### Qualifications

You need to pay the first one-half of property taxes each year before applying to defer the second one-half of property taxes due. In addition, the deferral program qualifications are based off of ownership, occupancy, and income. Details of each qualification follows.

#### Ownership

You must own the home for at least five years before you apply for your first deferral. You must own the home in fee to qualify. Ownership in a cooperative housing association, a life estate (including lease for life), or a revocable trust do not qualify. An irrevocable trust may qualify. The deferral is limited to the residence and one acre of land. Certain zoning or land-use regulations may allow additional acreage.

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

#### Occupancy

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

#### Income

Your combined disposable income cannot exceed \$57,000. Combined disposable income includes your disposable income plus the disposable income of your spouse or domestic partner and any co-tenants.



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

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

### Calculating disposable income

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

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

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

### Deductions from disposable income

After calculating disposable income, deduct insurance premiums you paid for Medicare Parts A, B, C, and D, and non-reimbursed amounts paid for:

- Living in a nursing home, boarding home, or adult family home.
- Prescription drugs.
- In-home care that is similar to the care you would receive in a nursing home.
  - ◊ In-home care includes:
    - Medical treatment.
    - Physical therapy.
    - Special needs furniture or equipment.
    - Meals on Wheels (or similar services).
    - Household care.
    - Personal care.
- Personal care includes assistance with:
  - ◊ Preparing meals.
  - ◊ Getting dressed.
  - ◊ Eating.
  - ◊ Taking medications.
  - ◊ Personal hygiene.



## Property taxes and special assessments eligible for deferral

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

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

If you meet all qualifications and maintain a fire and casualty insurance policy that names the Washington State Department of Revenue as a "Loss Payee", you can defer taxes and special assessments up to 40% of the equity of your land and residence. Without a fire and casualty insurance policy or if your policy does not name Washington State Department of Revenue as a "Loss Payee", only the land value is used to calculate equity.

## Applying for the deferral

Your county assessor administers the deferral program and is responsible for determining if you meet the qualifications. Applications and supporting documents for each qualification are due by September 1. You must renew your deferral each year. Your assessor will send you a renewal notification if you applied the previous year.

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

## Repaying the deferral

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

- You transfer ownership of your property to someone else.
- You no longer permanently reside at the residence.
- Your property is condemned.
- You no longer maintain a fire and casualty insurance policy naming the Washington State Department of Revenue as a loss payee in an amount that is sufficient to protect the interest of the state, and the deferred amount exceeds 100% of your equity in only the land value.
- You die (unless your surviving spouse or domestic partner meets the qualifications of the deferral and agrees to assume the liability).

## Rate of interest

Deferred taxes accrue interest at a rate equal to the federal short-term rate plus two percentage points.



## Laws and rules

Revised Code of Washington (RCW) Chapter 84.37—Property tax deferral program. Washington Administrative Code (WAC) Chapter 458-18A—Limited income deferral program.

## Questions, more information, request an application

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

*This material is intended for general information purposes and does not alter or supersede any administrative regulations or rulings issued by the Department of Revenue.*

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