



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

## Income

Your combined disposable income cannot exceed \$57,000. Combined disposable income includes your disposable income plus the disposable income of your spouse or domestic partner and any co-tenants received during the calendar year prior to the deferral year.

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

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

## Calculating disposable income

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

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

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

## Deductions from disposable income

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

- Living in a nursing home, assisted living facility, or adult family home.
- Prescription drugs.
- In-home care that is similar to the care you would receive in a nursing home.
  - ◊ In-home care includes:
    - Medical treatment.
    - Physical therapy.
    - Household care.
    - Personal care.
  - ◊ Personal care includes assistance with:
    - Preparing meals.

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

### **Property taxes and special assessments eligible for deferral**

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

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

If you meet all qualifications and maintain a fire and casualty insurance policy that names the Washington State Department of Revenue as a “Loss Payee”, you can defer taxes and special assessments up to 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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Prepared by the CEC Division  
11/21 FS0017LP