Property tax deferral for homeowners with limited income

December 2019

If you are a Washington State homeowner with limited income, there is a program that may help you pay your property taxes and/or special assessments.

Under this deferral program, the Washington State Department of Revenue pays the second installment of your property taxes and/or special assessments, due Oct. 31, on your behalf. The program is not an exemption or a grant. Deferred taxes are taxes that have been postponed. When you no longer own and use the property as your personal residence, you must repay the deferred tax. The deferred amount, plus interest, becomes a lien in favor of the state until the total amount is repaid.

Program requirements

To be eligible for this program, you must meet the ownership, occupancy, income, and equity requirements. In addition, your first property tax installment for the year, due April 30, must already be paid and your application must be filed with your county assessor no later than Sept. 1.

Ownership and occupancy

The program is only available to residents and property located in Washington State.

You must have owned your home for five years before you can apply for a deferral, and the home must be your principal place of residence when you apply for a deferral. You must have been living in the home as of Jan. 1 of the application year, and you must live there for more than nine months during that year and every subsequent year.

Your residence may qualify even if you are in a hospital, nursing home, boarding home or adult family home, or home of a relative for long-term care. Even though you currently reside in one of these facilities, you can still meet the occupancy requirement if your home is temporarily unoccupied, occupied by your spouse or domestic partner, or by someone else who is financially dependent on you, or if your home is rented to help pay for the cost of your stay in the facility.

Income limit

Your annual household disposable income for the previous year must be $57,000 or less. Household income includes your disposable income as well as the disposable income of your spouse or domestic partner and any co-tenants. A co-tenant is a person who lives in the home and has an ownership interest in the home. Disposable income is defined in statute and is not the same as your taxable income used for federal income tax purposes. For more information on calculating your income, see "Calculating Your Disposable Income" on page 3.

Equity

Do you have sufficient equity in your home? Equity is the difference between the assessed value of the property and any debts secured by the property.

Debts include mortgages, lines of credit, special assessments, and any other liens against the property. The taxes deferred cannot exceed 40% of your equity.

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

Following is an example of the equity calculation:

	Equity
Land assessed value	$100,000
Dwelling assessed value	$150,000
Total assessed value included in calculation	$250,000
Mortgage balance	$150,000
Equity value for deferral program	$100,000
40% of equity value – maximum deferral	$40,000

You must carry fire and casualty insurance, and the State of Washington Department of Revenue must be listed as a "Loss Payee" on your policy, otherwise, we cannot include the value of your dwelling in the calculation. Provide a copy of the summary declaration for your policy when you submit your application.

How much of my property tax can be deferred?

If you meet the qualifications, you can defer the second installment of your property taxes and/or special assessments due Oct. 31. The first half of your taxes, due April 30, must be paid before applying for the deferral on your second installment due Oct. 31.

What is the interest rate?

The rate of interest for the deferral is based on an average of the federal short-term rate, plus 2%. For deferrals made in 2019 and 2020 under this program, the interest rate will be 4%. This rate will apply to the 2019 and 2020 deferrals until those deferrals are paid in full. Any change in the interest rate in 2021 will not affect deferrals made in 2019 and 2020.

How can I apply for the deferral?

Your county assessor administers this program and is responsible for determining whether you meet the qualifications. You can request an application form from your county assessor, or visit our website at dor.wa.gov. Submit your application for the deferral after you have paid the first half of your property tax and prior to Sept. 1. As long as you qualify for the program, you can continue to defer your tax by submitting a renewal application each year.

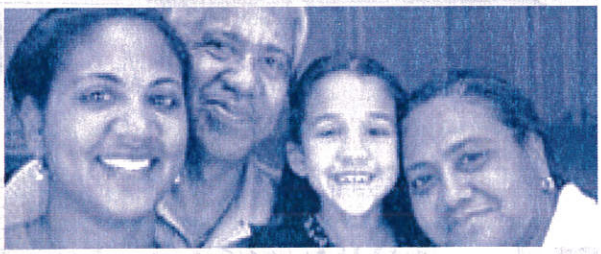
What can I do if my deferral request is denied?

If your request for deferral is denied, the county assessor will notify you in writing. The written notice will include the reason for the denial. You may appeal the assessor's decision to the county Board of Equalization.

When does the deferral have to be repaid?

At any time, you may choose to pay any or all of your deferral balance. However, you must repay the deferred taxes and/or special assessments and accrued interest if any of the following circumstances occur:

- Your property is transferred or conveyed to someone else.
- Upon your death, unless your surviving spouse or domestic partner meets the qualifications and elects to continue in the program.
- You no longer permanently reside at the residence.
- Your property is condemned.



Calculating your disposable income

The disposable income you receive during the year before your application year determines your eligibility. You must use your 2018 income to qualify for this deferral in 2019. If there was a change in your income prior to Nov. 1, and the change is expected to last indefinitely, you may estimate annual income by multiplying your new average monthly income by 12.

Disposable income is defined in statute (RCW 84.36.383) and includes income from all sources, whether or not the income is taxable for federal income tax purposes. You must include nontaxable income such as social security, and you may not deduct losses and depreciation or use losses to offset gains.

- Legislation passed in 2008 allows the exclusion of veterans' disability compensation and dependency and indemnity compensation paid by Department of Veterans Affairs.
- You may deduct non-reimbursed amounts paid by you, your spouse, or your domestic partner for the following:
  - Amounts you pay for yourself, your spouse, or your domestic partner to live in a nursing home, boarding home, or adult family home.
  - Insurance premiums for Medicare under Title XVIII of the Social Security Act.
  - Amounts paid for prescription drugs for yourself, your spouse, or your domestic partner.
  - Amounts you pay for goods and services that allow you, your spouse, or your domestic partner to receive in-home care. In-home care includes medical treatment, physical therapy, Meals on Wheels (or similar services), and household and personal care. Personal care includes assistance with preparing meals, getting dressed, eating, taking medications, or personal hygiene. Special furniture and equipment such as wheelchairs, hospitals beds, and oxygen also qualify.

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

For more information

If you need an application form or have questions about the application process, contact your local county assessor's office.

Visit our website at dor.wa.gov

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Department of Revenue
Washington State

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Deferral Application for Homeowners with Limited Incomes

Complete this application and file it with your local County Assessor **by September 1 in the year the taxes are due.** For assistance in completing this form contact your County Assessor's Office by calling the number listed in the local government section of your telephone directory.

Part 1. This deferral application is for Second Installment Taxes due in the year: 20_____

Applicant: _____ Date of Birth: _____

Spouse/Domestic: _____ Date of Birth: _____

Mailing Address: _____

City: _____ Zip Code: _____

Home Ph: _____ Cell Ph: _____ Email Address: _____

Co-tenants (someone who lives with you **AND** has an ownership interest in your home):

_____

Other Occupants: _____

Property Address: (if different than mailing) _____

Property City: _____ Property Zip Code: _____

County Parcel No: _____

Part 2. Ownership and Residency: (Check the boxes that apply.)

☐ I own or am purchasing this residence. _____ Purchase date

NOTE: Share ownership in cooperative housing, life estates, leases for life, and revocable trusts do not satisfy the ownership requirement for this program.

☐ I occupy this Residence more than 9 months each calendar year: _____ Date First Occupied

If you are temporarily confined to a hospital, nursing home, assisted living facility, adult family home, or home of a relative you *may* still qualify for this program.

I have a mortgage, purchase contract, or deed of trust.
☐ **Yes** ☐ **No** **If yes, you must report your mortgage balance in Part 5 on page 2.**

This box to be completed by the Assessor's office

Date approved or denied by Assessor: _____

Application number: _____

Reason if Denied: _____

True and Fair Assessed (Market) Value

Land: $ _____

Building: $ _____

Total** $ _____

Equity Calculation

Total Eligible Value:** **$** _____

Total Mortgages, Liens, Special Assessments and Other Obligations: **$** _____

Equity Value = Total Eligible Value minus Total Mortgages, etc.:** **$** _____

Deferral Limit = 40% of Equity Value: **$** _____

****Note:** If no insurance **OR** if state is not listed as "loss payee" on insurance policy, use only the land value for the Total Eligible Value and then stop at "Equity Value". Without insurance, or when the state is not the "loss payee", the deferral limit is the equity value in the land only.

Part 3. My residence is a (check one):

☐ Single family dwelling ☐ Multi-unit dwelling/condominium ☐ Mobile home

Mobile Homes: Do you own the land where the mobile home is located?: ☐ Yes ☐ No If "yes", has the title been eliminated? ☐ Yes ☐ No Date of title elimination if applicable: _____

Name of mobile home park if applicable: _____ Space No: _____

This property includes: (Check all that apply)

☐ My residence and no more than one acre of land

☐ My residence and more than one acre of land

☐ More than one residence and/or additional improvements that are not normally part of a residence (i.e. commercial buildings or improvements)

	Acres or Sq Ft
My total parcel or lot size:	_____
If larger than one acre, what is the minimum parcel size required by local zoning or land use regulations for each residence or lot split?	_____

If local zoning and land use regulations require more than 1 (one) acre of land per residence in the area where you live, or if you are unable to subdivide into lots smaller than one acre, you may be able to defer the property taxes for your entire parcel, up to 5 (five) acres.

Check one box:

☐ I have attached the legal description for my residence and one (1) acre encompassing the residence (or up to five (5) acres if the excess acreage is required by local land use regulations). I understand that if I choose this option the value included in my equity calculation will only include the value for this portion of my property.

☐ I have elected to allow you to file your lien on my entire parcel, even though the deferral of taxes or assessments may not cover the entire parcel. I understand that if I choose this option the value of my entire legal parcel can be included in the equity calculation.

Part 4. My home is insured: ☐ Yes ☐ No If yes, my Fire and Casualty Insurance is:

Company Name: _____ Policy No.: _____

Amount of Dwelling Coverage: $ _____ Policy Expiration Date: _____

Local Agent: _____ Agent's Phone No: _____

Washington State Department of Revenue is listed as a "Loss Payee" on my policy: ☐ Yes ☐ No

If Washington State Department of Revenue is not listed as a loss payee on your insurance policy, the value of your dwelling cannot be included in the equity calculation and your equity will be based on the value of the land only. **For documentation, you must provide a copy of your current policy declaration.** Listing information: Washington State Department of Revenue, Property Tax Division, PO Box 47471, Olympia WA 98504-7471; Deferral Account Number.

Part 5. Liens and obligations You must report the current balances of all mortgages and liens against the property. Do not report your deferral account balance.

☐ Yes	☐ No	Reverse Mortgage *(lien balance)*	$ _____
☐ Yes	☐ No	1st Mortgage *(lien balance*	$ _____
☐ Yes	☐ No	2nd Mortgage(s) *(lien balance)*	$ _____
☐ Yes	☐ No	Special assessment balance(s)	$ _____
☐ Yes	☐ No	Balance on other liens, lines of credit, etc.	$ _____
		TOTAL Liens and Obligations	**$** _____

Combined Disposable Income Worksheet

As defined in RCW 84.36.383 and WAC 458-16A-100

IMPORTANT: PLEASE ANSWER ALL OF THE FOLLOWING QUESTIONS.

	20_____ Income Year	County Use Checklist
Income:	**$$ Amount**	☐ IRS Tax Return ☐ 1040 ☐ 1040-A or EZ
A. ☐ **Yes** ☐ **No** **Did you file a federal tax return?** If yes, enter your Adjusted Gross Income (AGI) from your federal tax return and attach a complete copy of your return. If no, enter 0.		
B. ☐ **Yes** ☐ **No** **Did you have capital gains that were not reported on your tax return?** Do not add the gain from the sale of a primary residence if you used the entire gain to purchase a replacement residence within the same year. **Do not use losses to offset gains.**		☐ Sch D ☐ Form 4797 or 6252 ☐ Other _____
C. ☐ **Yes** ☐ **No** **Did you have deductions for losses included in your tax return?** If yes, the losses must be added back to the extent they were used to offset/reduce income. (Ex: On Schedule D, you reported a ($10,000) loss but the loss was limited to ($3,000), shown on Sch 1, Line 13 of your 1040. Add the ($3,000) loss used to offset/reduce your income.) (Ex: You filed two Sch C's – one with a ($10,000) loss and one with a $5,000 net income. A net loss of ($5,000) was reported on your 1040, Sch 1, Line 12. Add back the ($10,000) loss.)		☐ Sch C ☐ Sch D ☐ Sch E ☐ Sch F ☐ Other _____
D. ☐ **Yes** ☐ **No** **Did you deduct depreciation expense in your tax return?** If yes, that expense must be added back to the extent the expense was used to reduce your income. (Ex: Net loss reported: If you deducted depreciation as a business and/or rental expense that resulted in a loss, recalculate the net income/loss without the depreciation expense. If there is still a net loss enter -0- here, if there is net income enter the net income here.)		☐ Sch C ☐ Sch E ☐ Sch F ☐ Sch K-1 ☐ Other _____
E. ☐ **Yes** ☐ **No** **Did you have nontaxable dividend or interest income, OR, income from these sources that was not reported on your tax return?** If yes, add that income here. Include non-taxable interest on state and municipal bonds.		☐ Bank Statements ☐ 1099's ☐ Other _____
F. ☐ **Yes** ☐ **No** **Did you have nontaxable pension and annuity income, OR, income from these sources that was not reported on your tax return?** If yes, report the amounts here. (Ex: You received $10,000 in pensions and annuities. The taxable amount was $6,000. Report the nontaxable $4,000 here.) Do not include non-taxable IRA distributions.		☐ 1099's ☐ Other _____
G. ☐ **Yes** ☐ **No** **Did you receive military pay and benefits that were nontaxable, OR, income from these sources that was not reported on your tax return?** If yes, report that income here, including **CRSC**. Do not include attendant-care and medical-aid payments.		☐ DFAS Statement ☐ 1099's ☐ Other _____
H. ☐ **Yes** ☐ **No** **Did you receive veterans pay and benefits from the Department of Veterans Affairs that was nontaxable, OR, that was not reported on your tax return?** If yes, report that income here. Do not include attendant-care and medical-aid payments, disability compensation, or dependency and indemnity compensation paid by DVA.		☐ VA Statement ☐ 1099's ☐ Other _____
I. ☐ **Yes** ☐ **No** **Did you receive nontaxable Social Security or Railroad Retirement Benefits?** If yes, report that income here. (Ex: Your gross Social Security benefit was $10,000 and $4,000 was included in AGI as the taxable amount, report the non-taxable $6,000 here.)		☐ SS Statement ☐ RRB Statement
J. ☐ **Yes** ☐ **No** **Did you receive income from business, rental, or farming activities (IRS Schedules C, E, or F) that was not reported on your tax return?** Report that income here. You can deduct normal expenses, except depreciation expense, but **do not use losses to offset income.**		☐ Sch C ☐ Sch E ☐ Sch F ☐ Other _____
K. ☐ **Yes** ☐ **No** **Did you receive Other Income that is not included in the amounts on Lines A - J?** Give source, type, and amount. _____		☐ Other _____ ☐ Other _____
Subtotal Income:	$	
Did you have any of the following Allowable Deductions?		
L. ☐ **Yes** ☐ **No** **Nursing Home, Boarding Home, or Adult Family Home costs.**		☐ Other _____
M. ☐ **Yes** ☐ **No** **In-Home Care expenses.** See instructions for qualifying expenses.		☐ Other _____
N. ☐ **Yes** ☐ **No** **Prescription Drug costs.**		☐ Printout/Receipt
O. ☐ **Yes** ☐ **No** **Medicare Insurance Premiums under Title XVIII of the Social Security Act (Parts B, C, and D).** Currently, there is no allowable deduction for supplemental, long-term care, or other types of insurance premiums.		☐ SS Statement ☐ Other _____
P. ☐ **Yes** ☐ **No** **Enter -0- here if you filed a return with IRS and entered an amount on Line A.** If you did not file a return with IRS and you had expenses normally allowed by IRS as adjustments to gross income, enter those deductions here. Allowable adjustments include alimony you paid, tuition, moving expenses, and others. See the instructions.		☐ _____ ☐ _____
Subtotal Allowable Deductions:	$	
Total Combined Disposable Income:	$	

County Use Only: _____

Part 7. Declaration Statement

By signing this form I confirm that:

- I understand that any deferred special assessments and/or real property taxes, together with interest, are a lien upon this property and that this lien becomes due and payable upon:
  - The sale or transfer of the property.
  - My death unless my surviving spouse or domestic partner, if qualified, elects to continue the deferral. (Your spouse or domestic partner must file an application to continue the deferral within ninety (90) days of your date of death.)
  - Such time as I no longer reside permanently at the residence.
  - Condemnation of this property by a public or private body exercising the power of eminent domain, except as otherwise provided in RCW 84.60.070.
- I swear under the penalties of perjury that the information reported on this application form is true and complete. I understand that an incomplete application will delay my property tax payment.
- I understand that future deferrals are not automatic and that I must renew my application if I want to defer my property taxes next year.
- I understand that the annual interest rate on deferrals made in 2020 is 4%.
- **I have attached copies of documents supporting my income information, current mortgage and lien balances, and current fire and casualty insurance declaration.**

Your Signature (or the signature of your authorized agent)	Date	Percentage of Ownership Interest
		%

Signatures of all other owners of interest on the deed	Phone	Date	Percentage of Ownership Interest
			%
			%
			%

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Instructions for Completing the Deferral Application for Homeowners with Limited Incomes

To avoid delays in processing your application, remember to answer all questions, include all of the required documentation, and sign the form. Anyone who has an ownership interest in the property must sign the form.

Leave the "County Use Only" areas blank.

You must include documentation of your income; account balances for existing mortgages or other liens against your property; and a copy of your insurance policy showing the State of Washington Department of Revenue listed as "loss payee". Without insurance documentation, we will only include land value in the equity calculation. If you have questions about what to include, contact your County Assessor's Office.

Instructions for Completing the Income Section

How is disposable income calculated?

The Legislature gave "disposable income" a specific definition. According to RCW 84.36.383(5), "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, veterans' disability benefits, and dependency and indemnity compensation; and
- Dividend receipts and interest received on state and municipal bonds.
- **This income is included in "disposable income" even when it is not taxable for IRS purposes.**

Important: Include all income sources and amounts received by you, your spouse/domestic partner, and any co-tenants during the application/assessment year (the year before the tax is due). If you report income that is very low or zero, attach documentation showing how you meet your daily living expenses. Use **Line K** to report any income not reported on your tax return and not listed on Lines A through J.

What if my income changed in mid-year?

If your income was substantially reduced (or increased) for at least two months before the end of the year and you expect that change in income to continue, 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 twelve.

Example: You retired in September and your monthly income was reduced from $3,500 to $1,000 beginning in October. Multiply $1,000 x 12 to estimate your new annual income.

Report this amount on Line K and do not complete Lines A through J. Provide documentation that shows your new monthly income and when the change occurred.

Line K – Report all household income not already included or discussed on Lines A through J. Include foreign income not reported on your federal tax return and income contributed by other household members not shown in Part 1. Provide the source and amount of the income.

Lines L - O - What is combined disposable income?

RCW 84.36.383(4) defines "combined disposable income" as your disposable income plus the disposable income of your spouse or domestic partner and any co-tenants, minus amounts paid by you or your spouse or 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; and
- Health care insurance premiums for Medicare. (At this time, other types of insurance premiums are not an allowable deduction.)

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 P.

If you had adjustments to your income for any of the following and you did not file an IRS return, report these amounts on Line P and include the IRS form or worksheet you used to calculate the amount of the adjustment.

- Certain business expenses for teachers, reservists, performing artists, and fee-basis government officials
- Self-employed health insurance or contributions to pension, profit-sharing, or annuity plans
- Health savings account deductions
- Moving expenses
- IRA deduction
- Alimony paid
- Student loan interest, tuition, and fees deduction
- Domestic products activities deduction

CONTACT YOUR COUNTY ASSESSOR'S OFFICE FOR ASSISTANCE IN COMPLETING THIS FORM.