Property Tax Deferral for Homeowners with Limited Income

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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 October 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, residency, 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 September 1.

Ownership and Residency

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

You must have owned your home for more than five years before you can apply for a deferral, and the home must be your primary residence when you apply for a deferral. You must have been living in the home as of January 1 of the application year, and you must live there for more than six 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. Even though you currently reside in one of these facilities, you can still meet the residency 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 percent 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 percent 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 October 31. The first half of your taxes, due April 30, must be paid before applying for the deferral on your second installment due October 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 percent. For deferrals made in 2016 under this program, the interest rate will be 2 percent. This rate will apply to the 2016 deferral until that deferral is paid in full. Any change in the interest rate in 2017 will not affect deferrals made in 2016.

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 September 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 2015 income to qualify for this deferral in 2016. If there was a change in your income prior to November 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 disability and 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

For questions about the laws and rules governing this program or for questions about your existing deferral account such as account balance, making a payment, reporting changes in your circumstances, etc., contact the Deferral Administrator at (360) 534-1409.

If you need an application form or have questions about the application process, contact your local county assessor's office (listed in the local county government pages of your telephone book).

Visit our website at http://dor.wa.gov

For tax assistance or to request this document in an alternate format, visit http://dor.wa.gov or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

Department of Revenue
Washington State

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