

Property Tax Deferral

for Senior Citizens and Disabled Persons

WASHINGTON STATE DEPARTMENT OF REVENUE

If you are a senior citizen or disabled, Washington has two programs that may help you pay your property taxes and/or special assessments. Your household income and your age or disability determine your eligibility for both programs.

This publication provides an overview of the property tax deferral program that helps senior citizens and disabled persons postpone the payment of their property tax and/or special assessments.

For information about the property tax exemption program, see the Property Tax Exemption for Senior Citizens and Disabled Persons fact sheet.

Program Overview

Under the deferral program, the Department of Revenue pays the property taxes and/or special assessments* on your behalf. The deferred amount, plus interest, becomes a lien in favor of the state until the total amount is repaid. Property tax deferral is available for property taxes and/or special assessments on your primary residence and up to five acres** of land. Mobile homes may qualify, even if the land where the mobile home is located is leased or rented.

*A special assessment is for a local improvement that directly benefits your property. Examples include assessments for sewers, lights, water, paving, or curbing. Special assessments are also known as Local Improvement Districts (LIDs) or Utility Local Improvement Districts (ULIDs).

** The deferral is available for a primary residence and one acre of land. If local zoning and land use regulations require more than one acre of land per residence in the area where you live, you may be eligible for a property tax deferral on up to five acres of land.

ELIGIBILITY REQUIREMENTS

To be eligible for this program you must meet the age or disability, ownership, residency, and income requirements.

AGE OR DISABILITY

You must be at least 60 years old on December 31 of the year in which you apply, or you must be unable to work because of a disability. Your application must include proof of your age or disability.

OWNERSHIP

You must own the property in total (fee owner) or under a contract purchase. An irrevocable trust may qualify.

You are NOT eligible to defer your taxes if you have a life estate or lease for life, a share ownership in a cooperative housing unit, or a revocable trust.

RESIDENCY

The property must be your principal home at the time you apply for the deferral. You must occupy the home for more than six months each year.

Your residence may qualify even if you are temporarily in a hospital, nursing home, boarding home (licensed under RCW 18.20.030,140) or adult family home (licensed under RCW 20.128.050). You may rent your residence to someone else during your stay in one of these facilities if the rental income is used to pay the facility costs.

Property used as a vacation home is not eligible.

HOUSEHOLD INCOME

Your annual household disposable income may not exceed \$40,000.

If your household income is less than \$35,000, you must apply for the Senior Citizens and Disabled Persons Exemption program before you apply for the deferral program. Contact your local county assessor's office for an application packet.

Household income includes your disposable income, that of your spouse, and any co-tenants. A co-tenant is a person who lives in your home and has an ownership interest in your home.

Household income does not include income of a person who:

- Lives in your home but is not your spouse and does not have an ownership interest in your home. However, you must include any income that person contributes to the household (for example, rent, utilities, groceries, etc.).
- Has an ownership interest in your home but does not live in your home. However, if someone living elsewhere has any ownership interest, the amount of your deferral will be based on the percentage of only your interest in the property.

INSURANCE COVERAGE

You need to keep in force a fire and casualty insurance policy in an amount large enough to protect the interest of the state of Washington. The insurance policy must show the Washington State Department of Revenue listed as a loss payee. You must provide the Department of Revenue with a copy of the policy within 60 days of application.

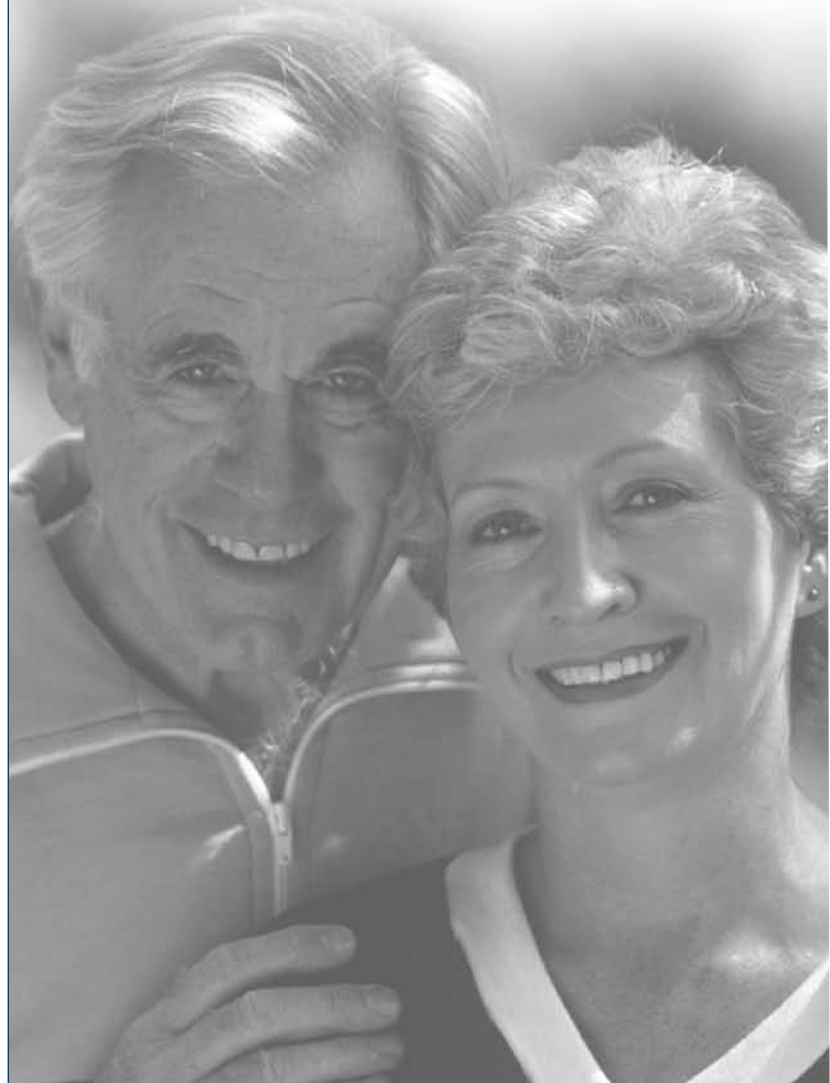
If you do not carry a fire and casualty insurance policy that includes dwelling coverage and lists the Washington State Department of Revenue as a loss payee on the policy, your deferral will be limited to the amount of your equity in the land only.

PROPERTY TAXES AND SPECIAL ASSESSMENTS ELIGIBLE FOR DEFERRAL

The amount of equity you have in your home determines the amount of property taxes and/or special assessments eligible for deferral.

Equity is the difference between the assessed value of the property and any debts secured by the property. On your application form, you must provide current balances for all debts that are secured by the property.

Providing you meet all qualifications and maintain adequate fire and casualty insurance, you may defer taxes and special assessments in an amount up to 80 percent of your equity.



CALCULATING DISPOSABLE INCOME

The maximum amount of annual disposable income you may receive and qualify for the deferral is \$40,000. The disposable income you receive during the year prior to your application year determines your eligibility.

Example: You are filing a 2007 application requesting deferral of your 2007 taxes. You must use your 2006 income to qualify.

Disposable income includes income from all sources, regardless if the income is taxable for federal income tax purposes. Losses and depreciation may not be deducted. Some of the most common sources of income include:

- Wages, salaries, and tips.
- Social Security benefits.
- Railroad retirement benefits.
- Pension and annuity receipts, including retirement bonds, Individual Retirement Accounts, and distributions from Keogh plans. For purposes of this program, "annuity" is defined as a series of payments under a contract. Annuity contracts typically pay a fixed sum of money at regular intervals for more than one full year. Some examples of annuity payments include: proceeds from life insurance contracts, unemployment compensation, disability payments, and welfare receipts (excluding amounts received for the care of dependent children).
- Interest and dividend receipts.
- Business income. Depreciation and business losses may not be deducted.
- Rental income. Depreciation and rental losses may not be deducted.
- Capital gains other than the gain from the sale of your primary residence that was reinvested in another primary residence within the same calendar year. Capital losses may not be deducted from income or used to offset capital gains.

If there was a change in your income prior to November 1 that is expected to last indefinitely, you may estimate your income. Multiply your new average monthly income by 12.

Example: You retired in September and your monthly income was reduced from \$2,000 to \$1,000 beginning in October. Multiply \$1,000 x 12. Your new estimated annual disposable income is \$12,000.

DEDUCTIONS FROM DISPOSABLE INCOME

To determine your disposable income, you may deduct the following expenses paid by you or your spouse:

- Non-reimbursed amounts you pay for your spouse or yourself to live in a nursing home, boarding home, or adult family home.
- Insurance premiums for Medicare under Title XVIII of the Social Security Act.
- Non-reimbursed amounts paid for prescription drugs for yourself or your spouse.
- Non-reimbursed amounts you pay for goods and services that allow you or your spouse to receive in-home care. The care received must be similar to the care provided by a nursing home. 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, hospital beds, and oxygen also qualify.

APPLYING FOR THE DEFERRAL

Your county assessor administers this program and is responsible for determining if you meet the qualifications. Contact your local assessor's office to request an application form.

You should apply at least 30 days before payment of the property taxes and/or special assessments are due. Filing a complete application at least 30 days before your tax and/or special assessment are due helps avoid late payment penalties and interest. If you are applying to stop the county treasurer from foreclosing for unpaid taxes, you must apply within 30 days of receiving the foreclosure notice. If you have unpaid taxes or special assessments from prior years you may request payment for the prior years on the same application form. You do not need to submit a separate application for each year.

SIGN THE APPLICATION

You, your agent, or your legal guardian must sign the application. Any others who have an ownership interest in the property should also sign the application.

The lien holder's or beneficiary's notarized signature must be on the application if ALL three of the following apply:

- The property is under mortgage, purchase contract, or a deed of trust
- The mortgage or purchase contract requires a reserve account for the payment of taxes
- The lien holder or beneficiary wants their lien to have priority over the deferred tax lien

ANNUAL APPLICATION

The deferral is not automatic and you must file a renewal application each year you want to defer your taxes and/or special assessments.

If you are deferring special assessments, you must choose the installment payment method if it is available.

APPEAL PROCESS

The county assessor must notify you in writing if your application is denied. 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 when the denial notice was mailed, whichever date is later.

REPAYING THE DEFERRAL

The deferred amount and interest must be repaid when one of the following occurs:

- Property is transferred or conveyed to someone else.
- Death, unless your surviving spouse 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.
- You no longer permanently reside at the residence.
- Condemnation of the property by a public or private body exercising eminent domain power.
- Fire and casualty insurance listing the Washington State Department of Revenue as a loss payee is not kept up to date in an amount sufficient to protect the interest of the state, and the deferred amount exceeds 100 percent of the equity in the land value.

RATE OF INTEREST

The annual rate of interest on deferrals paid by the state of Washington on or after January 1, 2007, is 5 percent. The annual interest rate on deferrals paid before January 1, 2007 is 8 percent.

LAWS AND RULES

Revised Code of Washington (RCW)
Chapter 84.38—Deferral of Special Assessments and/or Property Taxes

Washington Administrative Code (WAC) Chapter 458-18—Property Tax - Abatements, Credits, Deferrals, and Refunds

FOR MORE INFORMATION

For questions about the laws and rules governing this program or your existing deferral account, such as account balance, making a payment, reporting changes in your circumstances, etc. contact the Deferral Administrator at (360) 570-5867.

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

Visit our web site at <http://dor.wa.gov>

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