# Property Tax Deferral

## for Homeowners with Limited Income

WASHINGTON STATE DEPARTMENT OF REVENUE DECEMBER 2007

If you are a homeowner with limited income, Washington has a program that may help you pay your property taxes and/or special assessments beginning in 2008.

Under this deferral program, the Department of Revenue pays 50 percent of your property taxes and/or special assessments 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 must already be paid.

### OWNERSHIP AND RESIDENCY

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 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.

Deferred taxes must be repaid if the home ceases to be your primary residence.

### 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 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.

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. 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 50 percent of your taxes and/or special assessments. 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 2008 under this program, the interest rate will be 7 percent. This rate will apply to the 2008 deferral until that deferral is paid in full. Any change in the interest rate in 2009 will not affect deferrals made in 2008.

### How can I apply for the deferral?

Your county assessor administers this program and is responsible for determining whether you meet the qualifications. Application forms will be available after April 30, 2008. You can then request a form from your county assessor, or visit our web site at http://dor.wa.gov. Submit your application for the deferral after you have paid the first half of your property tax. 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 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 2007 income to qualify for this deferral in 2008. 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. Some of the most common sources of income include:

- Wages, salaries, and tips.
- Social Security benefits.
- Railroad retirement benefits.
- Pension and annuity receipts. For purposes of this program, "annuity" is defined as a series of payments under a contract. 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 and rental income. You may deduct business and rental expenses, but depreciation and business or rental losses may not be deducted.
- Capital gains. Capital losses may not be deducted from income or used to offset capital gains.

You may deduct non-reimbursed amounts paid for the following:

- 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.
- Amounts paid for prescription drugs for yourself or your spouse.
- Amounts you pay for goods and services that allow you or your spouse 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.

## FOR MORE INFORMATION

For questions about the laws and rules governing this program or for questions about your account after you defer taxes (account balance, making a payment, reporting changes in your circumstances, etc.) contact the Department at (360) 570-5900.

If you need an application form or have questions about the application process, contact your local county assessor's office. You can find the number on your annual notice of assessed value or in the local county government pages of your telephone book.

Department of Revenue

**http://dor.wa.gov**

To inquire about the availability of this publication in an alternate format for the visually impaired, please call (360) 705-6715.

Teletype (TTY) users please call 1-800-451-7985.



## LAWS AND RULES

Substitute Senate Bill 6178

Chapter 2, Laws of 2007

To be codified as a new Chapter of Title 84

Revised Code of Washington (RCW)

Chapter 458 Washington Administrative Code (WAC) is to be revised in 2008 to include this deferral program.

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