Senior Citizen & Disabled Persons Property Tax Reduction Program

Basics About the Program

The program is available to property owners who meet the following age, income and ownership criteria:

1 - AGE:

- Owners who are at least 61 years old on December 31 of the year before the tax is due (so 62 in the year of the exemption). (proof of age required)

OR,

DISABILITY:

- Owners who are unable to work due to a disability have no age requirement. (proof of disability required)
- OR, Veterans who are entitled and who are receiving compensation from the US Dept of Veterans Affairs for a total disability rating for a service-connected disability. (documentation required)

AND,

2 - INCOME:

- Seniors with an annual household, disposable income of:
  - $40,000 or less effective for 2016 and later OR
  - $35,000 or less effective for 2015 and earlier.
    - Disposable income will INCLUDE items not considered as income by the IRS such as all social security, taxable or non-taxable interest income.
    - And, will NOT ALLOW such items as capital losses or rental depreciation to reduce income.
    - A more comprehensive list of includable income is at the end of the question and answer section.

Household income includes you, your spouse, a domestic partner or a co-tenant living with you and who has an ownership interest in the property.
(Proof of income from receipts, check stubs, IRS returns, 1099's, bank statements or other documentation, is needed.)

The State of Washington also has a Deferral program. Please call to get more specific information.

AND,

3 - OWNERSHIP AND OCCUPANCY:

- Individuals applying for an exemption must be the owner AND occupy the property as their permanent residence.

You must own your home by December 31st of the year *before* the taxes are due.
Ownership must be in total as a fee owner, via a recorded life estate (lease for life) or by contract purchase.
If ownership is shared with another individual, for example a son or daughter, your exemption will be adjusted to reflect your share of the ownership.
For example: You must own your home by December 31, 2016 to qualify for an exemption for 2017 taxes.
For example: You, a son and a daughter all have a 1/3 ownership in a home. Your share of the property is 1/3 so your exemption is limited to 1/3 of the value. (documentation is required to establish ownership and occupancy)

Things to know *IF* you qualify for the program:

-The exemption freezes the taxable value of the residence as of January 1 of the initial application year.
-You will receive, at a minimum, relief from paying all excess levies (for example school levies and bonds).
-You may also receive relief for a portion of regular levies.
-The Assessor will continue to establish the market value of the property on an annual basis.
-You will continue to receive annual notification of your market value changes.
-Each year, your taxes will be calculated on the lesser of market value or your original frozen value.

Categories of tax relief – effective 2016 and later:

LEVEL OF EXEMPTION	AMOUNT OF TAX RELIEF
Level 1 or S exemption: $35,001 to $40,000	Exempt from excess levies (voter approved)
Level 2 or P exemption: $30,001 to $35,000	Exempt from excess levies, plus a reduction of the assessed value of 35% or $50,000, whichever is greater. But not exceeding $70,000.
Level 3 or F exemption: $0 to $30,000	Exempt from excess levies, plus A reduction of the assessed value of 60% or $60,000, whichever is greater.

FREQUENTLY ASKED QUESTIONS or WHAT IF?

Why does the AGI (adjusted gross income) line on my IRS return indicate that I am below $40,000 yet I am still denied the exemption?

Federal tax law is **NOT** the same as the laws governing the state's Property tax relief program.
While we use the IRS return as a starting point, we do consider other sources of income that Federal law may not consider taxable.

Two examples of differences in the IRS and State laws are:

-By Federal IRS laws, social security may be excluded from your taxable income, it may be partially taxable or it may be fully taxable.
For the property tax exemption program, we consider the social security amount you actually receive via check or direct deposit as income. This amount will be used in the income calculation, along with other information on your tax return, when we calculate disposable income.
-Federal IRS law allows a deduction for capital losses. This can reduce your taxable capital gains.
For the property tax exemption program, we do NOT allow any deduction of any capital losses.
We will add the capital gains without any loss deduction.
Both of these items could bring you over the $40,000 income limit for the property tax exemption program even if the AGI on your tax return is below $40,000.

Why do you want my IRS return?

Federal tax laws and the property tax relief laws are different.
However, we use the IRS return as a starting point to calculate and verify your income and to determine your exemption level.

What if I do not file an IRS return?

We will still need verification of your income sources.
We will request information such as bank deposits, 1099s, reverse mortgage information, social security statements or other year end statements that provide information on how you pay your daily, monthly and yearly expenses.

Will I need to reapply if I have already been approved for the exemption?

You will be required to reapply at least once every 4 years and provide all new documentation.
We will send a renewal application when it is time for you to reapply.

What happens if I fail to respond to a renewal request?

If you fail to return your renewal form and the necessary documents, you will be removed from the program and you will begin paying the full tax amount based on your current market value.

What if I fail to send in my documents with my renewal request?

We will send you a letter requesting the missing information. You will have 30 days to respond.
If we still do not hear from you after this second notice, your exemption will be removed and you will begin paying the full tax amount based on your current market value.

What if I need assistance filing out the form or have questions about the documentation you require?

Please call our office at 206-296-3920.
We have experienced exemption staff ready and willing to assist you in completing your forms.
They can also answer questions about which documents you should provide.

What if I have a change in income and it is not time for me to renew my application?

It is your obligation to let the Exemption Unit know when you have any life-altering situation affecting your exemption.
Please call us at 206-296-3920 or write to us so we can discuss the situation.

For example:

-If you reach 70-1/2 years of age, you may need to start drawing on your IRA or Annuity funds. This could result in a change to your exemption level.
-If you lose a spouse or partner, this could result in a change in your exemption level.
-If you give all or a portion of your property to someone else, this could result in a change in your exemption level.
-If in doubt about whether your changing circumstances could affect your exemption level, please contact our office for assistance at 206-296-3920.

Once I have applied for an exemption, when will I hear from your office?

We will receive a letter notify you that we have your application.
Then, depending on the current workload but you should receive a letter within 6-8 weeks.
This second letter will state that you have either
(1) been approved for an exemption and adjustments will be made to your yearly taxes or
(2) you have been denied the exemption and provide you with your appeal rights or
(3) that we still need more information.

What is a frozen value?

The market value of your home is “frozen” as of January 1 of the initial year you qualify for the property tax exemption. For each year after your initial approval, you will be taxed on the lesser of your original frozen value or the current market value, whichever is lower.

Can my value go up higher than the frozen value?

Yes. If you add new construction to your home, say you add a new bathroom, the value for the new addition is added to your frozen value. This new total, will become your new frozen taxable value.

What happens if I have been on the program for several years and now do not qualify?

If your income goes over the $40,000 limit, you must be removed from the program for the one year you do not qualify. You will pay the higher taxes on your current market value for that one year.
However, you may reapply the next year and may be reinstated at your original frozen value if your income returns to a level below the $40,000 in that next year. You would only pay the higher taxes for the one year that you do not qualify and then would again return to the program and pay the reduced amount.
For example:
Your first qualifying year is 2013 with a frozen value of $300,000.
Now, your 2016 income goes over the $40,000 due to a one-time IRA disbursement.
We will remove you from the program for the 2017 taxes and you will pay your regular tax bill based on your current market value.
If your income returns to levels below the $40,000 limit, you can reapply for the 2018 tax year, return to the original $300,000 frozen value and start receiving the reduction in taxes again.

What if I am over the income limit for more than one year?

If your income has increased for more than one year, you will be removed from the exemption program and will begin paying the higher tax rate on your current market value. If, at some point in the future, your income is again below the $40,000 limit, you can reapply to the program. However, since you would have been off the program for more than one year, a new frozen value will be determined for the year you reapply and that will create your new frozen value and frozen year.

What if I move?

If you purchase a new home, condo or mobile home, you may be able to transfer your exemption to the new property. You would have to reapply and qualify for the exemption at the new property. A new frozen value will be established based on the new information.

What if my out-of-state children help me with my monthly expenses?

We would not consider gifts from your children income but you would need to report the amount to us.

What do I do if I have no income or extremely low income?

Even if you have no income, you are paying your expenses with some funding source.
In many cases seniors use reverse mortgages, receive funds from their children or use savings accounts to pay their household expenses. While these sources are not considered "income" in the calculation of your disposable income, they are a source of funds and you must report the source and the amount to us.
It is acknowledged that there are inherent costs to living and maintaining a home. Items such as food, gas for the car and utilities are paid at the very least. Subsequently, we will NOT approve an application that has ZERO ($0) income reported.

POSSIBLE INCOME SOURCES FOR THE SENIOR EXEMPTION PROGRAM WHICH MAY BE CALCULATED DIFFERENTLY THAN FOR IRS PURPOSES: This is not a total list. If you have specific questions about your income, please call.

Earned Wages
Social Security
IRA or Annuity Disbursements
IRS Taxable and NON-taxable Interest and Dividends
Capital Gains – NO loss deduction allowed
Rental Income BEFORE depreciation deduction
Some VA Benefits or Disability Income
Unemployement Income
Gambling winnings
Money earned by Spouse or Co-Tenant
Business Income BEFORE depreciation