

## **Interpretations for the Limited Income Deferral Program**

SSB 6178 (2007 Special Session) – Chapter 84.37 RCW

The issues discussed below are some of the unique requirements and issues raised by the new program. These are the most significant differences between the Limited Income Deferral Program that is being implemented and the existing Senior Citizens and Disabled Persons Deferral Program that we know well. The rules for the existing deferral program are found in chapter 458-18 WAC and are a good reference for many aspects of the new program. The following discussion should help you interpret the new program.

### ***Required payment of the first half taxes***

The new program requires payment of the first-half installment of a taxpayer's property tax bill before approval for deferral. In 2008, the Department of Revenue anticipates that applications will be accepted and processed between May 1 and September 1. Beginning in 2009, applications could be accepted by the assessor much earlier. However, the applications should not be approved and forwarded to the Department until the assessor has verified that the first-half installment of the property tax billing has been paid.

### ***50 percent deferral – 2<sup>nd</sup> installment of property tax bill***

The taxes deferred may not be exactly 50 percent of a taxpayer's overall bill for any given year. The statute allows deferral of the 2<sup>nd</sup> half installment of the property tax bill, including that portion of property taxes and special assessments that are listed for payment due on October 31. Assessments are not always evenly divided between the 1<sup>st</sup> and 2<sup>nd</sup> half billings. Only the actual amounts scheduled for payment on October 31 may be deferred. Special assessments that are billed separately from the property tax billing statement are not eligible for deferral.

### ***Application deadline of September 1 each year***

The September 1 deadline should be strictly observed. Waiver of the filing deadline by the Department would be infrequent and only for "good cause," which has yet to be clearly defined for this statute. The program will function as an annual program. It is an annual choice by the taxpayer whether to defer the second half installment of the property tax bill. The program is not designed to pay outstanding taxes and assessments from prior tax years.

### ***\$57,000 limit on disposable income***

Applicants under the limited income deferral do not have to meet the age or disability requirements of the existing deferral program. However, disposable income is to be determined and verified in the same manner as we do for the other programs that depend on its calculation. Only households that have a disposable income of \$57,000 or less may be approved for this program.

***5-year ownership requirement***

As in the existing deferral program, participants in the new deferral program may defer the taxes on only the primary residence and one acre of land, or up to five acres of land if the excess acreage is required under local land use and zoning laws. Applicants must show that the property is their primary residence when they first choose to defer and as long as they remain in the program. Further, the new program requires that the residence be owned for five years. More specifically, it states that deferrals cannot be made during the first five calendar years the residence is owned. The Department interprets that to mean that if a residence is purchased in 2003, the first year in which taxes can be deferred is 2008.

***40 percent equity limit***

Equity is calculated in the same way as under the existing deferral program, but with a lower limit on how much may be deferred. Accumulated deferrals cannot exceed 40 percent of the calculated equity for applicants under this program.

***7 percent interest rate for 2008 deferral amounts***

The interest rate used in the program is an average of a federal short-term rate plus 2 percent. It is calculated each year and published by the Department. The 2008 rate will be 7.00 percent and will apply to those amounts deferred in 2008 until they are repaid.

***Refunds of duplicate payments***

If a taxpayer's 2<sup>nd</sup> half installment is paid twice as a result of the State's payment under the Limited Income Deferral Program, the refund will be paid to the taxpayer (or their lender who paid on their behalf).

***Participation in both deferral programs***

A taxpayer may not defer taxes and special assessments under both programs in the same year.

If you or your staff have questions regarding these interpretations or suggestions for other issues to be reviewed, please forward them to Mike Braaten ([MichaelB@dor.wa.gov](mailto:MichaelB@dor.wa.gov)) or Peggy Davis ([PeggyD@dor.wa.gov](mailto:PeggyD@dor.wa.gov)). They will try to have as many of the questions as possible answered in preparation for the training sessions and will answer the rest soon after those sessions are concluded.