FINAL BILL REPORT

HB 1642

C 219 L 91
Synopsis As Enacted

Brief Description: Modifying the definition of disposable income for senior citizen tax relief.

By Representatives Fraser, Brumsickle, Van Luven, Phillips, Holland, Rasmussen, Winsley and Bowman.

House Committee on Revenue
Senate Committee on Ways & Means

Background: Qualifying senior citizens and retired disabled persons are entitled to a property tax exemption on their principal residence. To qualify a person must be 61 on January 1st of the application year, or retired from employment because of a physical disability. In addition, the disposable income of the applicant's household must fall below $18,000 a year.

Disposable income is the sum of federally defined adjusted gross income and the following if not already included: <u>capital gains</u>, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans benefits, social security benefits, dividends and interest income.

Summary: Capital gain from the sale of a principal residence is no longer added to federally defined adjusted gross income in the income calculation for the senior citizen property exemption program. This exemption covers that portion of capital gain not taxed by the federal internal revenue code because the capital gain is transferred to a new principal residence. Also, the gain from sale of a personal residence which is not subject to federal income tax under the one-time exclusion for persons over 55 years of age is not added to federal adjusted gross income in the income calculation for the senior citizen property tax exemption program to the extent it is reinvested in a new principal residence.

Votes on Final Passage:

House	98	0	
Senate	44	0	(Senate amended)
House	91	0	(House concurred)

Effective: July 28, 1991