HOUSE BILL REPORT

HB 1299

As Passed House
February 4, 1991

Title: An act relating to increasing the maximum income limits for retired persons' property tax exemptions to twenty-two thousand dollars per year and for retired persons' property tax deferrals to thirty thousand dollars per year.

Brief Description: Increasing the maximum income limits for senior citizens and retired persons' tax exemptions.

Sponsor(s): Representatives Phillips, Holland, Wang, Horn, Fraser, Ballard, Rust, Brumsickle, Leonard, Tate, Pruitt, Haugen, May, Nelson, Bowman, O'Brien, Nealey, Heavey, D. Sommers, Belcher, Broback, Jacobsen, Ferguson, Morris, Winsley, Appelwick, Van Luven, Franklin, Wynne, H. Sommers, Neher, Wineberry, Mitchell, Ogden, Edmondson, Spanel, Forner, Casada, Wood, Mielke, P. Johnson, Kremen, Dorn, Paris, Wilson, Fuhrman, Lisk, Zellinsky, Vance, Hochstatter, Cooper, Betrozoff, Schmidt, Brough, Chandler, Miller, McLean, R. King, Jones, Silver, Dellwo, Rayburn, H. Myers, Bray, Roland, Valle, Basich, Hine, Scott and Anderson.

Brief History:
Reported by House Committee on:
Revenue, January 29, 1991, DP.
Passed House February 4, 1991, 97-0.

HOUSE COMMITTEE ON REVENUE

Majority Report: *Do pass.* Signed by 15 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Morton; Phillips; Rust; Silver; and Van Luven.

Staff: Rick Peterson (786-7150).

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 or older in the year of application, 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: capital gains, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans benefits, social security benefits, dividends and interest income. The income of a spouse and cotenants with an ownership interest in the residence is included in disposable income. Payments for nursing home care for either spouse reduce disposable income.

All qualified persons are exempt from paying excess property tax levies. Excess levies are those levies approved by the voters of taxing districts to be collected over and above the property taxes levied within the constitutional 1 percent rate limit. Property taxes within the constitutional 1 percent limit are called regular property tax levies.

In addition to the exemption for excess levies, persons with income of $14,000 or less but above $12,000 are exempt from regular levies on the greater of $24,000 or 30 percent of their residence's value but not to exceed $40,000 of value. Persons with income of $12,000 or less are exempt from regular levies on the greater of $28,000 or 50 percent of their residence's value. These income and value thresholds were most recently changed during the 1987 legislative session. The changes first took effect for taxes due in 1989.

Qualifying persons may choose to defer any taxes remaining after the above exemptions. The total cumulative amount of taxes deferred may not exceed 80 percent of the owner's equity. The state pays the deferred taxes and is repaid with interest at the rate of 8 percent upon sale of the property.

Summary of Bill: The income and assessed valuation thresholds for the senior citizen property tax exemption are increased. The $18,000 income threshold is increased to $22,000. The $12,000 to $14,000 income category changes to $15,000 to $18,000. The valuation exemption for this category becomes the greater of $30,000 or 30 percent of the value not to exceed $50,000. The $12,000 and below income category becomes $15,000 and below. The exemption amount for this category becomes the greater of $34,000 or 50 percent of value.

Costs for in home care for either spouse are allowed as a deduction to income.

The income limit for the property tax deferral program is increased to $30,000.

Fiscal Note: Requested January 15, 1991.

Effective Date: Changes to the deferral program take effect for taxes to be collected in 1991. Changes to the senior citizen property tax exemption take effect for taxes to be collected in 1992.

Testimony For: Expansion of program necessary to prevent property taxes from taxing people out of their homes. In home care expenses need to be taken into account.

Testimony Against: None.

Witnesses: In favor: Ruthe Ridder, King County Assessor; Jack Westerman, Jefferson County Assessor; Tony Lee, WA Assoc. of Churches; David West, WA Citizen Action; Charles Chong, Admiral Community Council; Enid Layes and John Penney, AWB; Stan Finkelstein, Assoc. of Cities; Rick Wickman, Assoc. of Counties; Ray Ryan, Cowlitz County Assessor; Fred Saeger, WA Assoc. of City Officials; and Charles McNurlin, AARP.