# SENATE BILL REPORT

## SHB 2639

## AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1992

**Brief Description:** Modifying the nonprofit homes for the aging property tax exemption.

**SPONSORS:** House Committee on Revenue (originally sponsored by Representatives Wang, Hine, Brumsickle, Horn, Heavey, Van Luven, Appelwick, Silver, Day, Padden, Sheldon, Franklin, Ogden, G. Fisher, Pruitt, Dellwo, Nelson, Haugen, Rasmussen, Spanel and Winsley)

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.
Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, M. Kreidler, Metcalf, Newhouse, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, West, and Williams.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 27, 1992; March 2, 1992

**BACKGROUND:**

In 1989, the Legislature changed the property tax exemption for nonprofit homes for the aging and provided a three-year phase in of the changes to begin in 1991.

Homes subsidized under a federal Housing and Urban Development program remained completely exempt. Those homes with at least 50 percent of the occupied dwelling units occupied by eligible residents remained completely exempt. Residents were eligible if they met the annual income limits for eligibility for senior citizen property tax relief. This income limit was $18,000. A partial property tax exemption was available for the homes that did not qualify for a full exemption. Two percent of the property was exempt for every 1 percent of dwelling units occupied by eligible residents.

Of the 126 homes applying for exemption for 1992 taxes, 78 are fully exempt as HUD facilities and 23 others are fully exempt because they had over 50 percent of the residents with incomes below $18,000. The remaining 25 are partially exempt. The exemption for this group ranges from 18 percent to 87.5 percent with an average of 53 percent.

In 1991, the Legislature increased the income thresholds for the senior citizen property tax exemption program. The income threshold for special levy relief was increased from $18,000 to $26,000. The threshold for regular levy relief was increased from $14,000 to $18,000. The tie-in for residents of homes for the aging was changed from the threshold for special levy relief to the threshold for regular levy relief. This left the income threshold used in the homes for the aging exemption unchanged at $18,000.

Also in 1991, the Legislature delayed the phase in of the taxation of homes for the aging by one year. For 1992 taxes, two-thirds of the otherwise taxable value is exempt and for 1993 taxes one-third of the otherwise taxable value is exempt.

**SUMMARY:**

The income threshold used in determining the nonprofit homes for the aging property tax exemption is increased to $22,000.

For-profit homes for the aging that convert to nonprofit status must wait five years before receiving the property tax exemption available to nonprofit homes for the aging. The exemption is then phased in equally over the following five years.

The Department of Revenue is required to conduct a study of the property tax exemption for nonprofit homes for the aging. The study shall be conducted with the assistance of a study committee composed of residents and managers of nonprofit homes for the aging, representatives of senior citizen advocacy organizations not associated with nonprofit homes for the aging, the county assessors, city officials, and county officials.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

The tie-in to the senior citizen property tax exemption was equitable when it was made. Carving it out was unfair and is inequitable. Most nonprofits currently subsidize some residents. Added property tax costs must be passed on to the other residents. This bill recognizes the benevolent nature of homes for the aging.

**TESTIMONY AGAINST:**

The exemption for homes for the aging is inequitable compared to the senior citizen exemption. The homes get a complete property tax exemption and are exempt on two dwelling units for every eligible resident.

**TESTIFIED:** Karen Tynes, Washington Association of Homes for the Aging (WAHA) (pro); Bill Bowers, WAHA, Wesley Homes (pro); Derrill Meyer, WAHA, Crista (pro); Bonnie Baker-Muench, Deputy

Thurston County Assessor (con); Gene Liddel, Mayor of Lacey (pro on study, con on income changes)