SENATE BILL REPORT

SB 5993

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 11, 1992

Brief Description: Increasing the income limits of residents of nonprofit homes for tax exemption purposes.

SPONSORS: Senators Cantu, Gaspard, Hayner, Murray, Anderson, A. Smith, Craswell, Skratek and Johnson.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5993 be substituted therefor, and the substitute bill do pass.
Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bluechel, Cantu, Metcalf, Newhouse, Owen, L. Smith, West, and Williams.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 11, 1992

BACKGROUND:

In 1989, the Legislature enacted SHB 1097 which tied the property tax exemption for nonprofit homes for the aging to the senior citizen property tax exemption. Under the bill, 2 percent of the real and personal property of a nonprofit home for the aging was exempt from property taxes for every 1 percent of the dwelling units that were occupied by eligible residents. Residents were eligible if they met the annual income limits for eligibility for property tax relief from excess levies under the senior citizen property tax exemption program. This income limit was $18,000. The bill phased in the taxation of these homes over three years. For taxes collected in 1991, two-thirds of the home's assessed value that would otherwise be taxable was exempt. For taxes collected in 1992, one-third of the home's assessed value that would otherwise be taxable under the bill is exempt. No exemption applies after the 1992 tax year.

In the 1991 regular session, the Legislature enacted SSB 5110 which increased the income limit for eligibility for the senior citizen property tax exemption program from $18,000 to $26,000 for 1992 taxes. The income limit for residents of homes for the aging was changed from the income limit for excess levies to the income limit for regular levies. The income limit for residents of homes for the aging therefore remains at $18,000 for 1992 taxes.

In the 1991 special session, the Legislature extended the phase-in of taxation of homes for the aging by one year. For taxes collected in 1992, two-thirds of the home's taxable assessed value is exempt rather than one-third of the assessed value. For taxes collected in 1993, one-third of the home's taxable assessed value is exempt rather than none of the assessed value. No exemption applies after the 1993 tax year rather than the 1992 tax year.

SUMMARY:

For purposes of the property tax exemption for nonprofit homes for the aging, the maximum income limit of residents of nonprofit homes for the aging is increased from the income limit for property tax relief from regular levies under the senior citizen property tax exemption program to the income limit for exemption from excess levies under the senior citizen property tax exemption.

EFFECT OF PROPOSED SUBSTITUTE:

The bill is updated to reflect changes made in 1991.

Appropriation: none

Revenue: none

Fiscal Note: requested January 29, 1992

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR:

Nonprofit homes were exempt until 1991. The exemption recognizes the benevolent nature of these homes. Most facilities subsidize poor residents. The average subsidy is $184,000 per year. The benefit of the exemption cannot inure to the resident or the home would lose its nonprofit status.

TESTIMONY AGAINST:

It is not equitable to give greater exemption to seniors in retirement homes than to seniors in their own homes. The equity of the issue should be examined. Nothing assures that the seniors who qualify get the benefit of the exemption. Tax exemptions result in others paying more or taxing districts losing money.

TESTIFIED: Evan Iverson, Washington Senior Citizens Lobby; Bernie Main, City of Lacey; Jackie McFayden, Association of Washington Cities; Fred Saeger, WACO; Rick Slunaker, Washington Association of Homes for the Aging