

# HOUSE BILL REPORT

## SHB 2425

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As Passed House  
February 10, 1994

**Title:** An act relating to property tax exemption for senior citizens or persons unable to work.

**Brief Description:** Modifying procedures for residential property tax exemption.

**Sponsors:** By House Committee on Revenue (originally sponsored by Representatives Jones, G. Fisher, Foreman, Heavey and Kessler).

**Brief History:**

Reported by House Committee on:  
Revenue, February 5, 1994, DPS;  
Passed House, February 10, 1994, 93-0.

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### HOUSE COMMITTEE ON REVENUE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Anderson; Caver; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau and Wang.

**Staff:** Rick Peterson (786-7150).

**Background:** For property tax purposes, property is assessed at its true and fair market value, unless the property qualifies under a special tax relief program.

Some senior citizens and persons retired due to disability are entitled to property tax relief as exemptions and deferrals of taxes on their principal residences. To qualify, a person must be 61 in the year of application or retired from employment because of a physical disability. They must also own their principal residence and have disposable income below certain levels.

Eligible persons apply for relief during the year before taxes are due. When they apply, they provide evidence of income from the year before the year of application. Thus, there is a two-year delay between the year for which income is measured and the year in which the exemption is received.

For example:

- 1993 -- Income is received.
- 1994 -- Apply for exemption during assessment year,  
using 1993 tax return for income proof.
- 1995 -- Taxes are reduced or deferred.

The two-year delay results from the need to wait for complete income information plus the time lost due to the one year delay between setting property values and determining tax bills.

Eligible persons are granted property tax relief based on their disposable income. It is necessary to wait until the individual's tax year is over, and sometimes longer, before complete income information is available. Thus, a person whose application for exemption is submitted in 1994 uses federal income tax data from 1993.

The second delay comes from the normal two-year property tax assessment and collection process. During the first year of the process, the assessor determines assessed values and calculates levy rates. Tax statements are mailed in February of the second year, with payments due April 30 and October 31. The assessor determines property tax levy rates by dividing the total levy amount by the value of taxable property in the district. Assessors must know the total amount of exempt property to calculate the levy. Exempting property from tax causes the tax rates to rise and so shifts the burden onto others paying property tax. If exemptions are granted after the tax rates are set then there is no opportunity to shift the taxes, and the new exemptions result in lost revenue for the taxing district. Therefore, eligible persons are required to apply for relief during the assessment year so that the county assessor knows the value of exempt property before calculating levy rates.

**Summary of Bill:** If a senior citizen or disabled person's income is reduced during the assessment year, the person may use income for the assessment year, rather than the preceding year, when applying for property tax relief. For example, a person could apply in December of 1994, using estimated income for 1994 for relief that begins with tax payments due in 1995. An applicant for tax relief must occupy the residence on January 1 of the year tax relief is provided.

**Fiscal Note:** Available. New fiscal note requested for substitute bill on February 7, 1994.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** When a person first retires, he or she must often wait two years before becoming eligible for tax relief. This is a common constituent complaint. The delay causes a real headache. Also, persons who move into their house in July must wait a year and a half before they can see property tax relief.

**Testimony Against:** Although some county assessors support the bill not all assessors support the bill.

**Witnesses:** Representative Evan Jones, prime sponsor; and Fred Saeger, Washington Association of County Officials.