HOUSE BILL REPORT

EHB 2670

As Passed Legislature

Title: An act relating to property tax relief for senior citizens and persons retired by reason of physical disability.

Brief Description: Increasing senior citizen property tax relief.

Sponsors: Representatives G. Fisher, Foreman, Roland, Kessler, Shin, Campbell, Lemmon, Bray, R. Meyers, Basich, Johanson, Pruitt, Holm, Ogden, Sheldon, Caver, Quall, Jacobsen, Scott, Jones, Finkbeiner, Dellwo, H. Myers, Kremen, Conway, King, Rayburn, J. Kohl, L. Johnson and Anderson.

Brief History:
Reported by House Committee on:
Revenue, February 2, 1994, DP;
Passed House, February 15, 1994, 83-14;
Amended by Senate;
Conference Committee Report adopted;
Passed Legislature, March 14, 1994, 82-8.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 9 members: Representatives G. Fisher, Chair; Holm; Foreman, Ranking Minority Member; Anderson; Brown; Caver; Leonard; Romero and Van Luven.

Minority Report: Do not pass. Signed by 5 members: Representatives Fuhrman, Assistant Ranking Minority Member; Rust; Talcott; Thibaudeau and Wang.

Staff: Rick Peterson (786-7150).

Background: Property subject to property tax 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 in the form of 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, own his or her principal residence and have a disposable income below specified levels. Current administrative practice requires the person to live in the residence on January 1st of the application year.

There are three levels of exemption relief, based on income.

- If the disposable income of the applicant’s household is below $26,000 a year, the residence is exempt from all excess or special levies.
- If the disposable income of the applicant’s household is below $18,000 a year, but not less than $15,000, the residence is exempt from all excess or special levies and is exempt from regular levies on the greater of $30,000 or 30 percent of the assessed value, but not exceeding $50,000 of value.
- If the disposable income of the applicant’s household is below $15,000 a year, the residence is exempt from all excess or special levies and is exempt from regular levies on the greater of $34,000 or 50 percent of the assessed value.

Eligible persons apply for relief during the calendar 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:

1994 --	Income is received.
1995 --	Apply for exemption during assessment year, using 1994 federal tax return for income proof.
1996 --	Taxes are reduced.

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.

Summary of Bill: The $26,000 income threshold for the senior citizen and disabled person property tax exemption is increased to $28,000. The $18,000 and $15,000 income thresholds are not changed.

For seniors and disabled persons with disposable incomes of $28,000 or less, the annual change in taxable value of their residences is limited to the percentage change used by the federal government in adjusting Social Security payments.

Income from the application year, rather than the preceding year, is used when applying for property tax relief. For example, a person applying in December of 1995, will use estimated income for 1995 for tax relief that begins with tax payments due in 1996.

An applicant for tax relief must occupy the residence at the time of filing for tax relief. This means they may begin occupancy at any point during the application year rather than on January 1st of the application year as required currently.

Effective Date: The act is first effective for taxes levied for collection in the year following the year in which specific funding for the administrative costs associated with this act are included in the appropriations act. Since an appropriation was not provided in the 1994 appropriations bill, the act will not apply to property taxes collected in 1995.

Fiscal Note: Available.

Testimony For: Seniors are seeing large valuation increases and have no future earning potential to pay for the taxes on these increases. The bill will hold increases in assessments to the increase in Social Security and protect against large valuation large increases. Property values should be frozen for those over 65. Proposition 13 is coming to Washington.

Testimony Against: Property values should be frozen for those over 65.

Witnesses: Greg Fisher, prime sponsor; Vallana Piccolo, Johnson Point Homeowners Association (pro); and Cecil Peter Escalante, senior citizen (pro and con).