

HOUSE BILL REPORT

EHB 2670

As Amended by Senate

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.

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.

Qualifying 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 their principal residence, and have a disposable income below specified levels.

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.

To be eligible for a deferral of taxes, the disposable income of the applicant's household must fall below \$30,000 a year. For those with an income above the exemption eligibility level, all taxes on the principal residence may be deferred. For those eligible for a partial property tax exemption, taxes on the portion not exempt may be deferred.

Initiative 601, approved by the voter in November 1993, requires a vote of the people for all tax increases and "revenue-neutral tax shifts" before July 1, 1995. The initiative does not define "revenue-neutral tax shifts." Granting a new property tax exemption or expanding eligibility for existing exemptions tends to shift the tax burden to other property. Thus, any bill that creates or expands a property tax exemption could be viewed as causing a revenue-neutral tax shift.

Summary of Bill: The income thresholds for the senior citizen and disabled person property tax exemptions are increased. The \$26,000 threshold is increased to \$30,000. The \$18,000 threshold is increased to \$21,000. The \$15,000 threshold is increased to \$17,000. The income threshold for the deferral program remains at \$30,000.

For seniors and disabled persons with disposable incomes of \$30,000 or less, the annual change in assessed value of their residences is limited to the percentage change used by the federal government in adjusting Social Security payments.

If granting increased senior property tax relief under this bill is ruled by the courts to be a revenue-neutral tax shift within the scope of Initiative 601, this bill shall be referred to a vote of the people.

EFFECT OF SENATE AMENDMENT(S): The Senate amendment increases the highest income threshold for the senior citizen and disabled person property tax exemption to \$28,000 rather than to \$30,000 in the House bill. The Senate amendment removes the provision that limited assessed value increases to the rate of increase in social security benefits.

Fiscal Note: Available.

Effective Date: Section 1 of the bill is effective for taxes levied for collection in 1995 and thereafter. The remainder of the bill takes effect 90 days after adjournment of session in which bill is passed.

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).

VOTE ON FINAL PASSAGE:

Yeas 83; Nays 14; Excused 1

Nays: Representatives Brown, Cothorn, Dunshee, R. Fisher, Fuhrman, McMorris, Moak, Morris, Rust, Sommers, Springer, Thibaudeau, Wang, Wolfe

Excused: Representatives Lisk