SENATE BILL REPORT

SHB 2425

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 24, 1994

Brief Description: Modifying procedures for residential property tax exemption.

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

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Gaspard, Hochstatter, Ludwig, McDonald, Owen, Roach, Snyder, Spanel, Sutherland, West and Williams.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 23, 1994; February 24, 1994

BACKGROUND:

For property tax purposes, property is assessed at its 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 years of age in the year of application or retired from employment because of a physical disability. They must also own their principal residence on January 1 of the year of application 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.

This 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:

A senior citizen or disabled person must occupy the residence on January 1 of the year tax relief is provided.

If the 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.

SUMMARY OF PROPOSED COMMITTEE AMENDMENT:

The use of assessment year income is extended to all applicants; the residence must be occupied at the time of filing; and the bill is effective for taxes payable in 1995 and thereafter.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill is effective for taxes levied in 1994 and thereafter.

TESTIMONY FOR:

This will help senior citizens who experience a sudden decline in income in one year by allowing them some property tax relief.

TESTIMONY AGAINST: None

TESTIFIED: Representative Evan Jones, prime sponsor (pro); Fred Saeger, WA Assoc. of County Officials (pro)