SENATE BILL REPORT

EHB 2670

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1994

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

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, Bluechel, Gaspard, Hargrove, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, Snyder, Spanel, Sutherland, Talmadge, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 23, 1994; March 2, 1994

BACKGROUND:

Property subject to property tax is assessed at its 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 voters 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:

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.

SUMMARY OF PROPOSED COMMITTEE AMENDMENT:

The upper income limit is raised to $28,000. The increases in the other income limits and the inflation limit are removed.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill is effective for taxes payable in 1995.

TESTIMONY FOR:

The inflation limit should be removed from the bill. It is hard to explain and to understand. The Senate passed a $30,000 limit in 1991 and should do so again. The lower income limit increases should be postponed one year so that they do not have to reapply this year.

TESTIMONY AGAINST: None

TESTIFIED: Fred Saeger, WA Assoc. of County Officials (pro); Charles McNurlin, AARP (pro)