SENATE BILL REPORT

SB 5240

AS OF FEBRUARY 11, 1993

Brief Description: Defining disposable income for property tax exemptions.

SPONSORS: Senators Bluechel, Rinehart, Oke and Winsley

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates: February 10, 1993

BACKGROUND:

Under current law, a person 61 years of age or older or a person retired because of physical disability is entitled to defer the payment of property taxes and special benefit assessments on the person's principal residence if the person's disposable household income is $30,000 or less. The person is also entitled to a partial property tax exemption on the principal residence if the person's disposable household income is $26,000 or less.

Disposable household income is the disposable income for the preceding calendar year of the person claiming the exemption, the person's spouse, and any other person residing in the residence who has an ownership interest in the residence.

Disposable income includes federal adjusted gross income plus the following if not already included: capital gains, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans' benefits, Social Security benefits, dividends, and interest income. Excluded from disposable income are payments for the treatment or care of either spouse in the home or in a nursing home. Also excluded from disposable income are capital gains from the sale of a principal residence if (1) the gains are not subject to federal income tax because they are transferred to a new residence; or (2) the gains are not subject to federal income tax under the one-time, $125,000 exclusion for senior citizens, but only to the extent the money is reinvested in a new principal residence.

SUMMARY:

Pension and annuity receipts do not have to be added to adjusted gross income in the determination of disposable income to the extent they have been subject to federal income tax.

Medicare premiums are excluded from the determination of disposable income.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

A person should not be taxed on money received from Individual Retirement Accounts which represent the contributions, as opposed to earnings on the account, since this is not new income.

TESTIMONY AGAINST: None

TESTIFIED: Senator Bluechel, prime sponsor (pro)