# HB 2390
# Bill Analysis

February 2, 1998

**Brief Description:** Prescribing requirements for property tax exemptions for seniors and persons retired by reason of physical disability.

**Bill Sponsors:** Representatives DeBolt, Pennington, Alexander, Skinner, Mulliken, Johnson, Backlund, Buck, Carlson, Wensman, Wolfe, Sheahan, Benson, Sullivan, Lambert, Conway, D. Schmidt, Gardner, Linville, Cole, Keiser, Scott, Thompson, Costa, McDonald, McCune, Kessler and O'Brien.

**Staff:** Rick Peterson, 786-7150.

**Background:** Some senior citizens and persons retired due to disability are entitled to property tax relief 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 of less than $28,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze.

Disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: capital gains; deductions for loss; depreciation; pensions and annuities; military pay and benefits; veterans' benefits; Social Security and federal railroad retirement benefits; dividends; and interest income. Payments for the care of either spouse received in the home or in a nursing home and payments for prescription drugs are deducted in determining disposable income.

Partial exemptions for senior citizens and persons retired due to disability are provided as follows:

A. If the income is $18,001 to $28,000, all excess levies are exempted.

B. If the income level is $15,001 to $18,000, all excess levies and regular levies on the greater of $30,000 or 30 percent of assessed valuation ($50,000 maximum) are exempted.

C. If the income level is $15,000 or less, all excess levies and regular levies on the greater of $34,000 or 50 percent of assessed valuation are exempted.

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In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or disabled person is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the assessment year a person first qualifies for the program.

The exemption applies to the dwelling and the land on which is stands up to one acre.

**Summary of Bill:** The $28,000 income threshold for the senior citizens and persons retired due to disability property tax relief program is raised to $30,000. The Department of Revenue is instructed to periodically review the effects of inflation on the income thresholds and report every two years to the Legislature.

The one acre limit on eligibility is removed.

It appears the intent of the bill is to subtract medical insurance payments from the calculation of disposable income, however, the statute is incorrectly amended.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which the bill is passed.