

SENATE BILL REPORT

SB 6321

As Reported By Senate Committee On:
Ways & Means, January 29, 1998

Title: An act relating to property tax exemptions and deferrals for senior citizens and persons retired for reasons of physical disability.

Brief Description: Providing property tax exemptions and deferrals for senior citizens and persons retired for reasons of physical disability.

Sponsors: Senators Winsley, Fraser, Spanel, West, B. Sheldon, Oke, Rasmussen and Goings.

Brief History:

Committee Activity: Ways & Means: 1/28/98, 1/29/98 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6321 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: Senior citizens and persons who are retired from regular employment because of physical disability are eligible for property tax relief on their personal residences.

If the person is at least 60 years old or is retired from regular employment because of physical disability, and the person's disposable household income is \$34,000 or less, the person is entitled to defer any property taxes and special benefit assessments imposed on the property. The deferral program generally applies to the residence and one acre of land but is increased to up to five acres of land if zoning requires this larger parcel size.

If the person is at least 62 years old or is retired from regular employment because of physical disability, and the person's disposable household income is \$28,000 or less, the person is also entitled to a limit on the value of the residence and a partial property tax exemption. Application can be made in the year the person reaches the age of 61. The valuation limit and exemption apply to the residence and up to one acre of land on which it is situated.

The valuation of the residence is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the year the person first qualified for the program, but the valuation cannot exceed the market value on January 1 of the assessment year.

The partial property tax exemption and the qualifying income limits are summarized in the following table.

\$18,001 to \$28,000	Exempt	No exemption
\$15,001 to \$18,000	Exempt	\$30,000 or 30% of value exempt (\$50,000 maximum)
\$15,000 or less	Exempt	\$34,000 or 50% of value exempt

Qualification for the program is based on disposable household income. Disposable household income is the disposable income 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 and expenditures for prescription drugs. Also excluded from disposable income are capital gains from the sale of a principal residence if the gains are not subject to federal income tax under the \$250,000 exclusion for the sale of a principal residence, but only to the extent the money is reinvested in a new principal residence.

Summary of Substitute Bill: A deduction is authorized from disposable household income for health care insurance for either person. The parcel size limit for the exemption program is increased from one acre up to five acres if zoning requires the larger size. In addition, the exemption amounts are increased according to the following table.

\$18,001 to \$28,000	Exempt	No exemption
\$15,001 to \$18,000	Exempt	\$40,000 or 35% of value exempt (\$60,000 maximum)
\$15,000 or less	Exempt	\$50,000 or 60% of value exempt

The bill applies to taxes payable in 1999 and thereafter.

Substitute Bill Compared to Original Bill: The original bill increased the income eligibility amounts and did not increase the exemption amounts.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill is the result of a survey of Thurston County residents. The \$28,000 income level has been frozen for a few years and people close to \$28,000 have been forced out of the program because of inflationary increases in their incomes. The lower steps have not been changed since 1991 and people have been forced into lower exemptions for the same reasons. Health care premiums have been going up and constitute a large part of seniors' incomes making their real disposable income much lower than the formula would imply. The Growth Management Act has forced people to build on five acre lots but the exemption program only applies to one acre. Seniors have wanted to sell the other four acres but can't because of the zoning requirements.

Testimony Against: None.

Testified: Kevin O'Sullivan, Thurston County Assessor (pro).