HOUSE BILL REPORT
HB 1642

As Reported by House Committee On:
Finance

Title: An act relating to senior citizen property taxes.

Brief Description: Modifying senior citizen property taxes.

Sponsors: Representatives Santos (co-prime sponsor), Pennington (co-prime sponsor), Ruderman, Mielke, Schual-Berke, Keiser, Rockefeller, Conway and Dunn.

Brief History:
Committee Activity:
Finance: 2/15/01, 3/8/01 [DP].

Brief Summary of Bill

- Changes income thresholds for the senior citizens property tax relief program from fixed income thresholds to thresholds based on county median family income.
- Limits assessed value increases to 2 percent per year for senior citizens with incomes between $50,000 and 55 percent of county family median income.
- Ends property tax deferral program, allows participants in 2001 to continue deferrals.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

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 $30,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze. Eligible persons of age 60 with incomes less than $34,000 may defer taxes.

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 except attendant-care and medical-aid payments; 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 $24,001 to $30,000, all excess levies are exempted;

B. If the income level is $18,001 to $24,000, all excess levies and regular levies on the greater of $40,000 or 35 percent of assessed valuation ($60,000 maximum) are exempted;

C. If the income level is $18,000 or less, all excess levies and regular levies on the greater of $50,000 or 60 percent of assessed valuation are exempted.

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.

Taxes that are deferred become a lien against the property and accrue interest at 8 percent per year. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

Summary of Bill:

The income thresholds for the senior citizens and persons retired due to disability property tax relief program are changed as follows:

Current Income Threshold	Proposed Income Threshold
$18,000	33 percent of county median family income

$24,000	44 percent of county median family income
$30,000	55 percent of county median family income

The income thresholds for persons that were in the program in 2000 or 2001 are the greater of the old income thresholds or the income thresholds based on county median family income. New participants are subject to the new income thresholds.

County median family incomes are the same as used by the federal government for determining eligibility for various housing programs.

Assessed value increases are limited to 2 percent per year for the home of senior citizens and disabled persons with incomes between 55 percent of county median income and $50,000.

The limited assessed value for these households applies to all property taxing districts, except that a county governing body may choose not to participate. If a county chooses not to participate then taxes for all taxing districts in the county, except for the state, will be calculated using an assessed value not limited by the 2 percent cap.

The property taxing district's levy amount will be adjusted to prevent a tax rate increase due to this limit on assessed value increases. This will prevent a shifting of property taxes onto taxpayers not benefitting from the exemption.

The property tax deferral program is ended. Home owners participating in 2001 may continue to defer property taxes.

These changes first apply to property tax due for collection in 2002.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is a great bill. It is the result of a study coordinated by the sponsors during the interim. It is workable and constitutional. It fits within the current constitutional amendment allowing tax relief for seniors. There is a need to protect seniors in their primary residence. The problem with the property tax is not the rates but the rapid increase in assessment levels. For those experiencing rapid increases in assessments, this legislation could cut their tax bill by one-half over eight years. The current program provides substantial relief if income is below $30,000. But if income is $1 higher, then they are subject to the full assessment increase. This bill will provide some tax relief for people with incomes up to $50,000. It applies everywhere in the state. There is a local option that allows local officials to decide whether to participate. The bill provides fairness and predictability. The current system of fixed income thresholds for all counties is not equitable. It means that a lower percentage of senior households are eligible for relief in King County when compared to other counties. Housing prices also vary significantly by county.

Testimony Against: None.

Testified: Representative Pennington, co-prime sponsor; and Representative Santos, co-prime sponsor.