Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1393

Brief Description: *Modifying the senior citizen property tax exemption definition of disposable income.*

Sponsors: *Representatives Rockefeller, Morris, Talcott, Dunshee, Jackley, Edmonds, Benson, Lantz, Kagi, Kenney, Dickerson, O'Brien, Conway, Keiser, Casada and Simpson.*

Brief Summary of Bill

- *Subtracts losses from income when determining eligibility for senior citizens and persons retired due to disability property tax relief program.*

Hearing Date: *2/15/01*

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.

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.

Summary of Bill:

Deductions for losses are no longer added back to income when determining eligibility for senior citizens and persons retired due to disability property tax relief program.

This change first applies 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.*