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**Finance Committee**

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**HB 1029**

**Brief Description:** Providing property tax relief for senior citizens and persons retired because of physical disability.

**Sponsors:** Representatives McDonald, Simpson, Pearson, Condotta, Mielke, Shabro, O'Brien, Bush, Sump, Campbell and Woods.

**Brief Summary of Bill**

- Increases the three income thresholds in the senior citizens property tax relief program from \$30,000 to \$34,000, \$24,000 to \$27,000, and \$18,000 to \$20,000.
- Adjusts the income thresholds and the property value eligible for regular property tax relief for inflation annually.
- Deducts expenditures for health care coverage, including dental, vision, copayments, and deductions for medicare, long-term care insurance, and durable medical equipment, from disposable income when determining eligibility for the senior citizens property tax relief program.

**Hearing Date:** 1/30/03

**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; and

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:**

The income thresholds for the senior citizens and persons retired due to disability property tax relief program are changed. The \$18,000 income threshold is increased to \$20,000. The \$24,000 income threshold is increased to \$27,000. The \$30,000 income threshold is increased to \$34,000. The property value eligible for regular property tax relief is increased for the two lower income categories.

The income thresholds and the property value eligible for regular property tax relief are adjusted for inflation annually. The inflation factor is the implicit price deflator for personal consumption expenditures. The adjusted amounts are rounded to the nearest \$1,000.

Expenditures for the following are deducted from disposable income: health care coverage, including dental, vision, copayments, and deductions for medicare; long-term care insurance; and durable medical equipment.

These changes first apply to property taxes due for collection in 2004 except the inflation adjustment starts with 2005 taxes.

**Appropriation:** None.

**Fiscal Note:** Available.

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