HOUSE BILL REPORT
HB 2436

As Passed House:
February 13, 2004

Title: An act relating to increasing the combined disposable income eligibility threshold for the retired persons property tax relief program.

Brief Description: Increasing the combined disposable income eligibility threshold for the retired persons property tax relief program.

Sponsors: By Representatives Morrell, Lantz, Carrell, Bush, Moeller, Kirby, McCoy, Dickerson, O'Brien, Conway, Chase, Sullivan, Cody, Haigh, Rockefeller, Fromhold, Schual-Berke, Hudgins, Talcott, Clibborn, Darneille, Ormsby, G. Simpson, Hunt, Jarrett, Campbell, Wallace, Upthegrove, Woods, Armstrong, Kenney, Dunshee, Nixon, Condotta and Hankins.

Brief History:
Committee Activity:
Finance: 1/30/04, 2/6/04 [DP].
Floor Activity:
Passed House: 2/13/04, 96-0.

Brief Summary of Bill

- Increases the three income thresholds in the senior citizens property tax relief program from $30,000 to $35,000, $24,000 to $28,000, and $18,000 to $22,000.
- Increases the income threshold for the property tax deferral program from $34,000 to $39,000.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Conway, Morris, Roach and Santos.

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 and up to one acre of their homesite. 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; 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.

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. The $18,000 income threshold is increased to $22,000. The $24,000 income threshold is increased to $28,000. The $30,000 income threshold is increased to $35,000. The property value eligible for regular property tax relief is increased for the two lower income categories.

The income threshold for the property tax deferral program is increased from $34,000 to $39,000.

These changes first apply to property taxes due for collection in 2005.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: House Bill 2436 was written to be mindful of the financial situation of the state and local governments and does not include any of the many worthy deductions from income. There are 23,000 fewer seniors in the tax relief program since 1996. This has been the longest time in the history of the program without a change in the income categories. Because of inflation seniors may be squeezed out of their homes. They are pushed over the edge and no longer qualify for tax relief. It is equitable for seniors who have paid for their home after a lifetime of work to receive tax relief. Inflation rises each year and the income thresholds are not adjusted for inflation. Assessed values continue to rise and the property taxes continue to increase. Seniors cannot keep up with inflation in the value of their home. When folks are pushed out of the program their property taxes jump and they will not be able to stay in their homes because the higher income will not cover the higher property taxes. When areas are gentrified the rising property values cause displacement of many seniors. There has been an 85 percent increase in value but not in income. The $30,000 income limit unfairly excludes seniors in high property value areas like Seattle.

(In support with concerns) These property taxes should be taken from the state property tax not local property taxes. These exemptions shift the tax burden to younger equally needy families. The economic eligibility criteria is based solely on income and it should take into account the individual's total asset level. The deferral program should be expanded and the current 8 percent interest rate reduced.

Testimony Against: None.

Persons Testifying: (In support) Representative Morrell, prime sponsor; Elizabeth Anderson; Ron Anderson; and John Neff.

(In support with concerns) Allen Morrow, Senior Lobby.

(Neutral) Scott Noble, Washington State Association of County Assessors.

Persons Signed In To Testify But Not Testifying: None.