HOUSE BILL REPORT
SB 5034

As Passed House - Amended:
March 11, 2004

Title: An act relating to property tax relief for senior citizens and persons retired because of physical disability.

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

Sponsors: By Senators Zarelli, Winsley, McCaslin, T. Sheldon, Hale, Benton, West, Esser, Sheahan, Oke and Kohl-Welles.

Brief History:

Committee Activity:

Finance: 2/20/04, 3/1/04 [DPA].

Floor Activity:

Passed House - Amended: 3/11/04, 96-0.

Brief Summary of Bill
(As Amended by House)

- Increases the three income thresholds in the senior citizens property tax relief and disabled persons property tax relief program from $30,000 to $35,000; $24,000 to $30,000; and $18,000 to $25,000.
- Increases the income threshold for the property tax deferral program from $34,000 to $40,000.
- Ties definition of disability to the definition used in the Social Security law.
- Deducts from income boarding home or adult family home costs and medicare insurance premiums.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris 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 Amended Bill:

For purposes of the senior citizens and disabled person's property tax relief program the definition of disability is tied to the social security definition of disability. Disability means the inability to engage in substantial gainful activity by reason of physical or mental impairment. Generally, under the federal definition individuals can earn up to $930 per month and still be considered disabled.

The partial exemptions for senior citizens and persons retired due to disability are increased as follows:

A. If the income level is $30,001 to $35,000, all excess levies are exempted.

B. If the income level is $25,001 to $30,000, all excess levies are exempted and regular levies on the greater of $50,000 or 35 percent of assessed valuation ($70,000 maximum) are exempted.
C. If the income level is $25,000 or less, all excess levies are exempted and regular levies on the greater of $60,000 or 60 percent of assessed valuation are exempted.

The income used for determining eligibility for senior citizens and persons retired due to a disability program is reduced by payments for medicare health care insurance premiums. Payments for the care of either spouse received in an adult family home or boarding home may be deducted from income.

The income threshold for the property tax deferral program is increased from $34,000 to $40,000.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill addresses an issue that is of importance to all of us. The ability of a person of age to stay on their property. If it were not for the property tax these senior homeowners would have an easier time of it. The policy of the state is to alleviate seniors of a good portion of their property tax burden. An adjustment for inflation costs has not been done for a number of years; property taxes are continuing to rise. The bill will help avoid costs on the expense side of the budget by keeping folks on their property. The bill allows a deduction from base income for the cost of health insurance. Health care is the single biggest cost for seniors. This will vastly improve both the exemption and deferral programs.

(Concerns) There are differences between counties. Some real estate markets are hot and expensive and some are not. Some counties have relatively high median income some do not. In some counties the income threshold changes being considered make sense. But in rural counties the tax shifts may penalize working families and small businesses. The tax shift over the next 5 years is over $180 million. We have concerns over this one size fits all approach. Adjustments are in order. The best adjustment would be different income thresholds in different counties. This should be explored for the future. Health care costs are a big concern but the reduction should be narrowed. Adjustments should be allowed for assisted living facilities, Alzheimer facilities, adult family homes, and Medicare part B.

Testimony Against: None.

Persons Testifying: (In support) Senator Zarelli, prime sponsor.

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

Persons Signed In To Testify But Not Testifying: None.