SENATE BILL REPORT
SB 5034

As Passed Senate, January 19, 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: Senators Zarelli, Winsley, McCaslin, T. Sheldon, Hale, Benton, West, Esser, Sheahan, Oke and Kohl-Welles.

Brief History:
Committee Activity: Ways & Means: 2/3/03, 3/10/03 [DP].
Passed Senate: 3/13/03, 43-6; 1/19/04, 44-4.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Doumit, Fairley, Hale, Honeyford, Johnson, Sheahan and Winsley.

Staff: Terry Wilson (786-7433)

Background: Some senior citizens and persons who are retired from regular employment because of physical disability are eligible for property tax relief on their personal residences.

If the person is at least 60 years old or is retired from regular employment because of physical disability, and the person's disposable household income is $34,000 or less, the person is entitled to defer any property taxes and special benefit assessments imposed on the property. The deferral program generally applies to the residence and one acre of land, but is increased to up to five acres of land if zoning requires this larger parcel size. Upon death, change in use, or eventual sale of the property, the full amount of the deferred taxes and special benefit assessments is due, along with interest at 8 percent per year.

If the person is at least 62 years old or is retired from regular employment because of physical disability, and the person's disposable household income is $30,000 or less, the person is also entitled to a limit on the value of the residence and a partial property tax exemption. The valuation limit and exemption apply to the residence and up to one acre of land on which it is situated. Application can be made in the year the person reaches the age of 61. A person may retain property tax relief while he or she is confined to a hospital or nursing home.

The valuation of the residence is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the year the person first qualified for the program, but the valuation cannot exceed the market value on January 1 of the assessment year.

Partial exemptions for senior citizens and persons retired due to disability are provided as follows:

A. If the income level 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 are exempted 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 are exempted and regular levies on the greater of $50,000 or 60 percent of assessed valuation are exempted.

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.

Summary of Bill: Income eligibility for the deferral program is increased to $40,000. 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 health care insurance.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This removes a health care burden on the state. It helps seniors stay in their homes rather than moving into institutions. They are on fixed incomes that do not grow.

Testimony Against: Concerns: There is a net loss to local government.

Testified: Senator Zarelli, prime sponsor (pro); Jim Justin, AWC (concerns).