**Washington State**
**House of Representatives**
**Office of Program Research**

# BILL ANALYSIS

# Finance Committee

# HB 1743

**Brief Description:** Modifying senior citizen property tax provisions.

**Sponsors:** Representatives Santos, Roach, P. Sullivan, McCoy, Simpson, Hasegawa and McCune.

**Brief Summary of Bill**

- Changes income thresholds for the senior citizens property tax relief program from fixed income thresholds to thresholds based on county median family income.
- Limits assessed value increases to 2 percent per year for senior citizens with incomes between $50,000 and 55 percent of county family median income.
- Ends property tax deferral program, allows current participants to continue deferrals.

**Hearing Date:** 2/16/05

**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 $35,000 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 $40,000 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, in a boarding home, in an adult family home, or in a nursing home and payments for prescription drugs and payments for medicare health care insurance premiums 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 $30,001 to $35,000, all excess levies are exempted;

B. if the income level is $25,001 to $30,000, all excess levies 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 and regular levies on the greater of $60,000 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 lowest income category is changed to 33 percent of county median family income. The middle income category is changed to 44 percent of county median family income. And the highest income category is changed to 55 percent of county median family income.

New participants are subject to the new income thresholds. Persons currently participating in the program are grand fathered into the greater of the old income thresholds or the income thresholds based on county median family income. County median family incomes are the same as used by the federal government for determining eligibility for various housing programs.

Assessed value increases are limited to 2 percent per year for the homes of senior citizens and disabled persons with incomes between 55 percent of county median income and $50,000. The limited assessed value for these households applies to all property taxing districts, except that a county governing body may choose not to participate. If a county chooses not to participate then taxes for all taxing districts in the county, except for the state, will be calculated using an assessed value not limited by the 2 percent cap. Property taxing district's levy amounts will be reduced to prevent a tax rate increase due to this limit on assessed value increases. This will prevent a shifting of property taxes onto taxpayers not benefitting from the exemption.

The property tax deferral program is ended. Current participants may continue to defer property taxes.

**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 2005.

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