

SENATE BILL REPORT

HJR 4223

As Reported By Senate Committee On:
Ways & Means, February 27, 2006

Brief Description: Amending the state Constitution to increase the personal property tax exemption for the head of a family.

Sponsors: Representatives Kilmer, Kristiansen, Linville, Bailey, Pettigrew, P. Sullivan, Dunn, Ericks, Morrell, Appleton, Green, Sells and Simpson.

Brief History: Passed House: 2/11/06, 96-0.

Committee Activity: Ways & Means: 2/24/06, 2/27/06 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Terry Wilson (786-7433)

Background: All property in this state is subject to the property tax each year based on the property's value, unless a specific exemption is provided by law. Property taxes apply to both real and personal property. Because household goods and business inventories are exempt from tax by statute, taxable personal property consists mainly of office supplies and business equipment used in a private business.

The State Constitution and statutes provide a personal property exemption of \$3,000 for each head of a family. This exemption was increased from \$300 by a constitutional amendment approved by the voters in 1988. Individuals operating a business in their homes are subject to the personal property tax on their taxable personal property with a \$3,000 exemption.

Under rules of the Department of Revenue, a head of a family means an individual, not an entity such as a corporation, limited liability company, or a partnership. The following persons are eligible as a head of a family under the rules: Any person receiving an old age pension under the laws of this state; any citizen of the United States, over the age of 65, who has resided in the state of Washington continuously for 10 years; a husband or wife, when the claimant is a married person, or a surviving spouse not remarried; and any person who resides with, and provides care and maintenance for, other family members as defined in the rule.

Summary of Bill: The maximum personal property tax exemption allowed under the State Constitution for a head of family is increased to \$15,000.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Testimony For: The personal property tax is a surprise to small business because the property is not taxed in the house unless it is used in a business. This provides a benefit to a broad number of small businesses. It significantly reduces paperwork.

Testimony Against: None.

Who Testified: PRO: Representative Kilmer, prime sponsor; Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association.