

# HOUSE BILL REPORT

## SB 6912

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to increasing property tax relief for senior citizens and persons retired by reason of physical disability to qualify for property tax relief.

**Brief Description:** Providing property tax relief for senior citizens and persons retired by reason of physical disability by increasing the income thresholds.

**Sponsors:** Senators Haugen, Swecker, Berkey, McAuliffe, Marr, Kilmer, Rasmussen, Hargrove and Fraser.

**Brief History:**

**Committee Activity:**

Finance: 3/3/08 [DP].

**Brief Summary of Bill**

- Increases maximum income threshold for senior property tax relief from \$35,000 to \$40,000.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

**Staff:** Rick Peterson (786-7150).

**Background:**

In 1966 voters approved Article 7, Section 10 of the State Constitution, which authorizes residential property tax relief for retired property owners. Low-income homeowners who are seniors, retired as a result of a physical disability, or veterans with 100 percent service-connected disabilities are eligible. To qualify, a person must be age 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

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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 in the home, in a boarding home, in an adult family home, or in a nursing home; 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:

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

In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or person retired due to disability 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.

Property taxes on residential property may be deferred if the homeowner is at least 60 years of age or retired due to disability and the annual household income is \$40,000 or less. Amounts deferred may accumulate up to 80 percent of the homeowner's equity and become a lien upon the property in favor of the state. Taxes that are deferred become a lien against the property and accrue interest at 5 percent per year.

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### **Summary of Bill:**

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

- all excess levies are exempted if the income is \$35,001 to \$40,000;
- all excess levies and regular levies on the greater of \$50,000 or 50 percent of assessed valuation (\$100,000 maximum) are exempted if the income level is \$30,001 to \$35,000; or
- all excess levies and regular levies on the greater of \$60,000 or 60 percent of assessed valuation are exempted if the income level is \$30,000 or less.

Eligible seniors and persons retired due to disability with a combined disposable income of \$40,000 or less are eligible for the residential valuation freeze.

The annual combined disposable income to qualify for the senior and retired persons' property tax deferral is raised to \$50,000.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) The bill will result in revenue losses in cities that are close to their property tax rate maximums. Most of these cities are small and are located in rural counties.

One size doesn't fit all counties when it comes to property tax relief. It is time to consider a senior exemption based on median income in each county. The west side needs more relief but if applied statewide it takes too much out of the tax base for east side counties.

**Persons Testifying:** Jim Justin, Association of Washington Cities; and Robert Carlton, Washington Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.