SENATE BILL REPORT
SB 5201

As of February 19, 2007

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 McCaslin, Kilmer, Holmquist and Kline.

Brief History:
Committee Activity: Ways & Means: 2/15/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Some senior citizens, persons retired due to disability, and 100 percent disabled veterans 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:

1) if the income is $30,001 to $35,000, all excess levies are exempted;
2) 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;
3) 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.

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.

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 5 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 and valuation thresholds for the citizen/disabled person exemption program and the senior deferral program are increased.

For taxes due in 2008, each income and valuation threshold qualifications for the senior citizen/disabled person exemption program and the senior deferral program are increased by $5,000. For taxes due in 2009 and thereafter, the income and valuation thresholds are each increased by the consumer price index rounded to the nearest thousand dollars.

Additionally, the calculation for combined disposable income is changed to allow for a deduction for expenditures for durable medical equipment, mobility enhancing equipment, and long-term care insurance.

Appropriation: None.

Fiscal Note: Requested on January 16, 2007.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: OTHER: Why don't people with a mental disability qualify for these programs? This doesn't take into account people's ability to pay. We really should be looking at an income tax, instead of giving piecemeal exemptions to the property tax. This should include a 100 percent disabled firefighter or policeman.

Persons Testifying: OTHER: Steve Zemke, Taxpayers for Washington's Future.