SENATE BILL REPORT
SB 5737

As of February 20, 2007

Title: An act relating to providing property tax relief for owners of residential property who are senior citizens, persons retired because of disabilities, or veterans with service-connected disabilities.

Brief Description: Allowing a freeze in home values in order to provide property tax relief to seniors, persons retired because of disability, and veterans with service-connected disabilities.

Sponsors: Senators Fraser, Swecker, Rasmussen, Sheldon, Keiser, Franklin, Shin and Holmquist.

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: All real and personal property in Washington State is subject to property tax, unless a specific exemption is provided by law.

Property taxes are calculated by multiplying a tax rate by the assessed value of each property. By statute, assessed value must be equal to 100 percent of the fair market value of the property, unless the property qualifies under a special tax relief program. Article 7, Section 1 of the State Constitution provides that all taxes must be uniform on the same class of property. This means that taxes must be the same on property of the same value and requires both an equal rate and equality in valuing the property taxed.

In 1966, voters approved Article 7, Section 10 of the State Constitution, which authorizes residential property tax relief for retired property owners. Under current law, only low-income homeowners who are seniors or retired as a result of a physical disability, including veterans, are eligible. Property tax relief can come in the form of an exemption, a property tax deferral, or a freeze in assessed value.

A valuation freeze is available for a person at least 61 years of age in the year of application, retired due to disability, or a veteran of the armed forces of the United States with 100 percent service connected disability, if the person's disposable income is $35,000 or less. Values are frozen as of January 1, 1995, or January 1 of the year the person first qualified for the program. The valuation can never exceed the market value. Failure to qualify for only one year because of high income does not change this valuation upon re-qualification. This

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valuation freeze does not transfer to a replacement residence. Subsequent improvements to the residence are added at market value.

Summary of Bill: All persons who are at least 61 years of age, those retired due to disabilities, armed forces veterans with 100 percent service connected disability, and surviving spouses of the above who are at least 57 years old are eligible for a valuation freeze. There is no income limit for the value freeze. The assessed valuation upon which property tax levies are based will be frozen at the value established by the assessor in the year in which the person applies to the program. Applicants must re-apply every four years. The exemption continues until the death of the claimant.

Appropriation: None.

Fiscal Note: Requested on February 2, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony: PRO: This bill would provide a tremendous benefit to seniors. It would be an accurate guide to help retirement planning and would help seniors stay in their homes. This bill presents meaningful tax reform. Property tax is the most unfair tax of all. This bill would make the tax more fair. Voters are petitioning for property tax relief. Homeowners are at the mercy of the real estate market. The current senior program is not adequate. True retirement is unattainable.

Persons Testifying: PRO: Patricia Costello, Thurston County Assessor; Shelley Taylor, Property Owners for Predictable Tax Now.