SENATE BILL REPORT
SB 6880

As of February 8, 2008

Title: An act relating to excluding medical expenses for property tax exemption purposes from the income eligibility requirements for persons sixty-one years of age or older, armed forces veterans with service-connected disabilities, and persons retired because of disability.

Brief Description: Excluding medical expenses for property tax exemption purposes from the income eligibility requirements for senior citizens, armed forces veterans, and persons retired because of disability.

Sponsors: Senators Benton, Roach, McCaslin, Honeyford, Stevens, Parlette and Rasmussen.

Brief History:
Committee Activity: Ways & Means: 2/07/08.

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.

Senior Property Tax Relief Programs. 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, retired as a result of a physical disability, or veterans with 100 percent service-connected disabilities are eligible. 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.

Definition of Disposable Income. Disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: capital gains;

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.

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.

Property Tax Exemptions. 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 Tax Deferral 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. Upon death, change in use, or sale of the property, the full amount of the deferred taxes is due, along with 5 percent annual interest. 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: Additional deductions from the calculation of "disposable income" are allowed, including:

- health care insurance premiums for health care coverage, including dental coverage, vision coverage, and copayments;
- durable medical equipment and mobility enhancing equipment; and
- long term care insurance.

Appropriation: None.

Fiscal Note: Requested on February 1, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Applies to taxes levied for collection in 2009 and thereafter.

Staff Summary of Public Testimony: PRO: This is a bill that I have introduced in the past. Seniors and disabled persons have found it difficult to qualify, when costs of insurance and durable medical equipment are rising. Mandatory medical expenses should be allowed to be deducted from their income. These are not optional expenses. This is a very important change on which we can all agree.

Persons Testifying: PRO: Senator Benton, prime sponsor.