

HOUSE BILL REPORT

SSB 5587

As Reported by House Committee On: Ways & Means

Title: An act relating to expiring an underutilized deferral program in the department of revenue under chapter 84.37 RCW

Brief Description: Expiring an underutilized deferral program in the department of revenue under chapter 84.37 RCW.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler, Sheldon, Zarelli, King, Tom, Delvin, Honeyford and Hewitt).

Brief History:

Committee Activity:

Ways & Means: 5/20/11 [DP].

Brief Summary of Substitute Bill

- Terminates the low-income property tax deferral program beginning in 2011.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 17 members: Representatives Hunter, Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Haigh, Haler, Hudgins, Hunt, Ormsby, Parker, Schmick, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 8 members: Representatives Darneille, Vice Chair; Hasegawa, Vice Chair; Dickerson, Kagi, Kenney, Ross, Seaquist and Springer.

Staff: Jeff Olsen (786-7175).

Background:

All real and personal property in Washington is subject to property tax, unless a specific exemption is provided by law. For example, Article VII, section 1 of the Washington

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.

Constitution (Constitution) exempts property of the United States, Washington, counties, cities, and other local districts. The Constitution also authorizes the Legislature to exempt other property by general law, with certain restrictions.

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 VII, section 1 of the 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.

Currently there are two property tax deferral programs. The first allows eligible persons of age 60 and older with incomes less than \$40,000 to defer taxes. A person is eligible if that person qualifies for the exemption program, except for the age and income requirements. 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.

The second program is for low-income property owners. Individuals with an annual household income of \$57,000 or less may defer 50 percent of yearly real property taxes and special assessments. An individual may not defer taxes or assessments for the first five years the individual owns the residence. A qualifying individual pays one-half of yearly real property taxes and special assessments by April 30 and receives a deferral for the remaining one-half. Deferred amounts accrue interest at the federal short-term rate plus 2 percentage points. Deferred amounts, including interest, become a lien on the residence. The deferred amount may not exceed 40 percent of the equity of the home. Local taxing districts are reimbursed by the state for the local property taxes that are deferred under the program. The deferral applies to tax and special assessment collections after April 30, 2008.

Deferred taxes become due upon the occurrence of any one of several events. The two primary events triggering repayment of deferred taxes and assessments are the sale of the home and the death of the individual claiming the deferral, unless a surviving spouse continues to reside in the home and otherwise qualifies for the deferral.

During calendar year 2011, the Joint Legislative Audit and Review Committee (JLARC) is required to evaluate data addressing program participation and costs, and the effectiveness of the program in preventing defaults on residential mortgages, for those within the income threshold of the program. The JLARC will report its findings and recommendations to the Legislature by December 1, 2011.

Summary of Bill:

The low-income property tax deferral program is terminated beginning in calendar year 2011. Therefore, property tax deferrals for taxes originally owed in calendar year 2011 and thereafter are disallowed. Other provisions remain in statute to regulate the deferrals made

prior to 2011. The JLARC study scheduled for completion by December 1, 2011, is eliminated.

Appropriation: None.

Fiscal Note: Available on original bill.

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

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.