Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 2536

Brief Description: Concerning property tax relief programs available to senior citizens, persons retired because of physical disability, qualifying veterans, and widows or widowers of veterans.

Sponsors: Representatives Stokesbary, Kilduff, Hargrove, Bergquist and Scott.

Brief Summary of Bill

- Provides partial relief from excess levies for persons otherwise eligible for the senior citizen property tax exemption program, except for the income qualification.

Hearing Date: 1/22/16

Staff: Sarah Emmans (786-7288).

Background:

Property Tax - Senior Citizen Tax Relief.
Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and veterans receiving compensation from the United States Department of Veterans Affairs at total disability rating for a service-connected disability are entitled to property tax relief on their principal residence. To qualify, a person must be 61 years old in the year of the application or retired from employment because of physical disability, own his or her principal residence and have a disposable income of less than $40,000 a year. Persons meeting this criteria are eligible for a partial property tax exemption and a valuation freeze.

Disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: capital gains; deductions for losses; 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 on state and municipal bonds. Payments for the care of either spouse received in the home, in a

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boarding home, in an adult family home, or in a nursing home; prescription drugs; and Medicare health care insurance premiums are deducted in determining disposable income.

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

a. If disposable income level is $30,000 or less, all excess levies and regular levies on the greater of $60,000 or 60 percent of assessed valuation of his or her residence are exempted;
b. If disposable income level is $35,000 or less but greater than $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; and
c. If disposable income is $40,000 or less but greater than $35,000, all excess levies are exempted.

Valuation Freeze: 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.

<u>Qualifying Incomes Increased.</u>
In 2015 the Legislature passed Substitute Senate Bill 5186 (SSB 5186), which increased by $5,000 the qualifying disposable income thresholds for the senior citizen and disabled property tax exemption program (so that the maximum qualifying disposable income is $40,000). The qualifying income for a person entitled to defer property taxes was also increased by $5,000, to $45,000.

<u>Tax Preference Performance Statement</u>.
In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882 (ESSB 5882), which requires all new tax preference legislation to include a tax preference performance statement. New tax preference means a tax preference that initially takes effect after August 1, 2013, or a tax preference in effect as of August 1, 2013, that is expanded or extended after August 1, 2013. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objective of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

ESSB 5882 also establishes an automatic 10-year expiration date for new tax preference if an alternative expiration date is not provided in the new tax preference legislation.

Summary of Bill:

A taxpayer who qualifies for the senior citizen property tax exemption program, except for the income requirement, is exempt from any amount of excess property taxes that exceed the amount that their disposable income is greater than $40,000.

JLARC is required to measure the effectiveness of the preference by, at a minimum, evaluating the number of participants and the total tax relief provided annually to participants.

The act is not subject to an expiration date.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill applies to taxes collected in 2017 and thereafter.