

SENATE BILL REPORT

SB 5691

As of February 16, 2015

Title: An act relating to property tax relief for senior citizens and persons retired because of physical disability.

Brief Description: Concerning property tax relief for senior citizens and persons retired because of physical disability.

Sponsors: Senators Rolfes, Keiser, Nelson, Darneille, Hasegawa, Conway and McAuliffe.

Brief History:

Committee Activity: Government Operations & Security: 2/12/15.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Staff: Curt Gavigan (786-7437)

Background: Partial Property Tax Exemptions. Some senior citizens and persons retired due to disability are entitled to property tax relief on their principal residences (exemption program). To qualify a person must:

- be age 61 in the year of application, retired from employment because of a disability, or a disabled veteran receiving compensation at a total disability rating for a service-connected disability;
- generally own the person's principal residence; and
- have a disposable income of \$35,000 or less a year.

For those who qualify for the exemption program, partial property tax exemptions are provided as follows:

- If the income level is \$30,001 to \$35,000 all excess levies are exempt;
- 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 are exempt, up to \$70,000 maximum; and
- 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 exempt.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or disabled person is frozen, generally at the assessed value of the residence on January 1 of the assessment year the person first qualifies for the program.

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.

Property Tax Deferrals. In addition to the exemption program, eligible persons of age 60 or persons retired because of a disability may defer property taxes if their income is \$40,000 or less. Taxes may be deferred up to 80 percent of the homeowner's equity. 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: Partial Property Tax Exemptions. The maximum income thresholds to qualify for the exemption program are increased by \$5,000 as follows:

- If the income level is \$35,001 to \$40,000 all excess levies are exempt;
- If the income level is \$30,001 to \$35,000 all excess levies and regular levies on the greater of \$50,000 or 35 percent of assessed are exempt, up to \$70,000 maximum; and
- If the 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 are exempt.

Property Tax Deferrals. The income threshold to qualify for the senior citizen's and disabled person's deferral program is increased by \$5,000 to \$45,000.

Inflation Adjustment. Beginning in 2019, the income thresholds for the exemption program and tax deferrals must be adjusted each year for inflation.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a key bill for seniors. The Veteran's Coalition supports the bill. This bill is about helping seniors and those with disabilities stay in their homes. There may be some alternative ways of indexing to inflation than are in the current bill.

CON: The consumer price index is not the best tool for indexing to inflation, although the opposition is not to the idea behind the policy behind the bill itself. Annual changes could be expensive for counties from an administrative perspective.

OTHER: There is support for the exemptions in place, but concern about an index in perpetuity.

Persons Testifying: PRO: Senator Rolfes, prime sponsor; Ted Wicorek, Veterans Legislative Coalition; Steven Drew, Assessor, Thurston County.

CON: Monty Cobb, WA Assn. of County Officials.

OTHER: Amber Carter, Assn. of WA Business.