SENATE BILL REPORT
SB 5691

As of February 25, 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, 2/19/15 [DPS-WM].
Ways & Means: 2/25/15.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Majority Report: That Substitute Senate Bill No. 5691 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Roach, Chair; Benton, Vice Chair; Pearson, Vice Chair; Liias, Ranking Minority Member; Dansel, Habib and McCoy.

Staff: Curt Gavigan (786-7437)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

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 combined disposable income (CDI) of $35,000 or less per year.

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

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- If the CDI is $30,001 to $35,000 all excess levies are exempt;
- If the CDI 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 CDI 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.

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 CDI 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.

CDI Calculation. CDI generally includes the disposable income of the person claiming the exemption plus their spouse or domestic partner, minus certain expenses including the following:
- prescription drugs;
- in-home care or care in a nursing home, assisted living facility, or adult family home; and
- medicare insurance premiums.

Summary of Bill (Recommended Substitute): Partial Property Tax Exemptions. An exemption is provided for a person, who otherwise qualifies, if that person has a disposable income equal to that existing in current law, or a percentage of median household income of the county in which the residence is located, whichever is greater, to be redetermined every five years beginning in 2019. Specifically:
- A person is exempt from all excess levies if their CDI is $30,001 to $35,000 – or equal to or less than 65 percent of of the median household income in the county in which the residence is located, whichever is greater;
- A person is exempt from all excess levies and regular levies on the greater of $50,000 or 35 percent of assessed valuation if their CDI is $25,001 to $30,000 – or equal to or less than 55 percent of of the median household income in the county in which the residence is located, whichever is greater; and
- A person is exempt from all excess levies and regular levies on the greater of $60,000 or 60 percent of assessed valuation if their CDI is equal to or less than $25,000 or 45 percent of of the median household income in the county in which the residence is located, whichever is greater.

Property Tax Deferrals. The income threshold to qualify for the senior citizen’s and disabled person’s deferral program is $40,000 or 75 percent of the median household income in the county in which the residence is located, whichever is greater, to be redetermined every five years beginning in 2019.

CDI Calculation. Additional items are added to the list of expenses deducted from disposable income to determine CDI. These are as follows:

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

EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS & SECURITY COMMITTEE (Recommended Substitute):

- Provides an exemption for a person, who otherwise qualifies, if that person has a disposable income equal to that existing in current law, or a percentage of median household income of the county in which the residence is located, whichever is greater, to be determined every five years.
- Disposable income would no longer be increased by $5,000 nor would it be adjusted by the consumer price index.
- Adds certain health and long-term care related expenses to the list of expenses that are subtracted from a person's disposable income for determining qualification for the exemption and deferral program.

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 on Original Bill (Government Operations & Security): 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 (Government Operations & Security): 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.

Staff Summary of Public Testimony (Ways & Means): PRO: The thresholds to qualify for these tax exemptions have not been updated since 2004. Since that time, statewide median income has increased by $8,000. This is an important issue and we think this bill is the best way to address the problem.

Persons Testifying (Ways & Means): PRO: Monty Cobb, WA Assn. of County Officials; Steven Drew, Thurston County Assessor.