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## Finance Committee

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### SSB 6319

**Brief Description:** Concerning administration of the senior property tax exemption program.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Takko, Short, Dhingra, Lovelett and Wilson, C.).

#### Brief Summary of Substitute Bill

- Removes the requirement that an application for the senior citizen and disabled persons property tax exemption program contain the signatures of two witness or the County Assessor or assessor's deputy.
- Changes the residency requirement to be eligible for the tax exemption program so that a claimant must occupy their principal place of residence for six months, rather than nine months, each year.
- Requires adjusted income thresholds be rounded up to the nearest thousandth dollar, rather than the nearest one dollar.

**Hearing Date:** 3/2/20

**Staff:** Nick Tucker (786-7383).

#### **Background:**

##### Property Tax.

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value (AV) for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the AV of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. In addition, the aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of AV.

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*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.*

### Senior Citizen, Individuals with Disabilities, and Veterans Tax Relief.

Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and veterans entitled to and receiving compensation from the United States Department of Veterans Affairs with a disability rating for a service-connected disability of 80 percent or more, are entitled to property tax relief. To qualify, a person must be 61 years old in the year of the application or retired from employment because of disability; own and occupy their principal residence (occupancy must be for at least nine months a calendar year); and have a combined disposable income at or below the eligibility threshold.

Applicants who meet the qualifications to participate in the program are approved at one of three levels of property tax relief based on their combined disposable income. The valuation of the residence of an eligible individual is also frozen, for the purpose of calculating property tax liability, at the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year in which a person first qualifies for the program. Income eligibility and the amount of tax relief provided is determined by the greater of a base income threshold set in statute or a percentage of the county median income. The Department of Revenue (DOR) must publish updated income thresholds every five years. The adjusted thresholds must be rounded to the nearest one dollar.

#### *Property Tax Deferral Program.*

The property tax deferral program allows qualifying property owners to make payments of property taxes and special assessments for current and delinquent years. The deferred amount accrues 5 percent simple interest until repayment is complete. Deferrals must be repaid when the home is sold, the applicant passes away, or the home is no longer used as the primary residence.

To qualify, applicants must own and occupy a primary residence in the state, have a combined disposable income at or below 75 percent of the county median income, and have enough equity to secure the interest of the state in the property. A surviving spouse or domestic partner of a claimant may continue the deferral program upon the death of the claimant if they are at least 57 years of age and meet all other residency and income requirements.

#### *Program Administration.*

The senior citizens and disabled persons property tax exemption program is administered by the County Assessor. To enroll in the program, an eligible property owner must submit an application for each year of property tax relief sought up to three prior years. Applications must be signed in front of two witnesses or the county assessor or a deputy of the county assessor.

Participants are required by law to notify the county assessor of any change in circumstances that would invalidate their eligibility status. If it is found that a participant was receiving a tax exemption based on false information, then the amount of tax relief received must be collected, subject to penalty, for a period of time not to exceed the prior five years.

#### **Summary of Bill:**

The requirement that an application contain the signatures of two witnesses or the County Assessor or the assessor's deputy is removed. Applications must instead be signed under oath by the person claiming the property tax exemption.

For purposes of qualifying for the property tax exemption program, "principal place of residence" means a residence occupied by the person claiming the exemption for more than six months, rather than nine months, each calendar year.

Adjusted income thresholds, as updated and published by the DOR every five years, must be rounded up to the nearest thousandth dollar, rather than the nearest one dollar.

**Appropriation:** None.

**Fiscal Note:** Available.

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