SENATE BILL REPORT
SB 5625

As of January 30, 2019

Title: An act relating to allowing medicare supplemental insurance premiums to be deducted from the calculation of disposable income for the purpose of qualifying for senior property tax programs.

Brief Description: Allowing medicare supplemental insurance premiums to be deducted from the calculation of disposable income for the purpose of qualifying for senior property tax programs.

Sponsors: Senators Fortunato, Palumbo and Hasegawa.

Brief History:
Committee Activity: Ways & Means: 1/31/19.

Brief Summary of Bill

- Allows certain supplemental insurance premiums to be deducted from the calculation of combined disposable income for the purpose of qualifying for the senior citizen, individuals with disabilities, and veterans property tax exemption program.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided. The Washington State Constitution limits regular property tax levies to a maximum of 1 percent of the property's value—$10 per $1,000 of assessed value. Excess levies are not subject to this constitutional limit and require voter approval. There are statutory rate maximums for individual taxing districts and aggregate rate maximums to keep the total tax rate of regular property taxes within the constitutional limit. All regular levies, except state levies, are subject to a statutory revenue growth limit. If the taxing authority has a population of 10,000 or more, the revenue growth limit is the lesser of inflation or 1 percent plus the valuation of new construction. If the taxing authority has a population of less than 10,000, the revenue growth limit is 1 percent plus the value of new construction.

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.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017, the Legislature adopted EHB 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018-2021, the combined rate for both state levies is $2.70 per $1,000 of assessed value. The revenue growth limit does not apply to state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizen, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

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 at a total disability rating for a service-connected disability, are entitled to property tax relief on their principal residence—property tax exemption program. To qualify, a person must be sixty-one years old in the year of the application or retired from employment because of disability; own their principal residence; and have a combined disposable income of less than $40,000 a year. Eligible individuals may qualify for a partial property tax exemption and a valuation freeze.

Combined disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: capital gains; amount deducted for losses; depreciation; pensions and annuities; military pay and benefits; veterans' benefits except attendant care, medical aid, disability compensation, and dependency and indemnity compensation; Social Security and federal railroad retirement benefits; and dividends and interest income on state and municipal bonds. Payments for the care of either spouse received in the home, in a boarding home, in an adult family home, or in a nursing home; prescription drugs; and Medicare health care insurance premiums are deducted when determining disposable income.

Exemptions for eligible individuals are provided as follows:

- if disposable income is $30,000 or less, all excess levies, the additional state levy, and regular levies on the greater of $60,000 or 60 percent of assessed valuation of a person's residence are exempted;
- if disposable income is $30,001 to $35,000, all excess levies, the additional state levy, and regular levies on the greater of $50,000 or 35 percent of assessed valuation, at a $70,000 maximum, are exempted; and
- if disposable income is $35,001 to $40,000, all excess levies and the additional state levy are exempted.

The valuation of the residence of an eligible individual is 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.

Property Tax Deferral Program. The property tax deferral program allows qualifying property owners to pay property taxes and special assessments for current and delinquent years. The deferred amount accrues five 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 of $45,000 or less, and have enough equity to secure the interest of the state in the property.

Summary of Bill: Medigap and Medicare supplement insurance premiums are deducted from the combined disposable income calculation for the purpose of qualifying for the senior citizen, individuals with disabilities, and veterans property tax exemption program.

Appropriation: None.

Fiscal Note: Requested on January 25, 2019.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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