SENATE BILL REPORT
SB 6319

As Reported by Senate Committee On:
Ways & Means, February 10, 2020

Title: An act relating to administration of the senior property tax exemption program.

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

Sponsors: Senators Takko, Short, Dhingra, Lovelett and Wilson, C.

Brief History:
Committee Activity: Ways & Means: 1/21/20, 2/10/20 [DPS].

Brief Summary of First 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 9 months, each year.
- Requires adjusted income thresholds be rounded to the nearest one thousandth dollar, rather than the nearest one dollar.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6319 be substituted therefor, and the substitute bill do pass.
Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Muzzall, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Staff: Alia Kennedy (786-7405)

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.

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 the 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.

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, legislation was enacted creating 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 the 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 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 (First Substitute): 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 by 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 DOR every five years, must be rounded to the nearest one thousandth dollar, rather than the nearest one dollar.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Removes the provision changing the lookback period for taxes and penalties due as a result of an exemption based on erroneous information from five years to two years, so long as the erroneous information occurred prior to 2025 and is in relation to the occupancy requirements.
- Amends the definition of “principal place of residence” such that a person claiming the senior citizen and disabled persons property tax exemption must occupy their residence for at least six months, rather than nine months, each year.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill makes the senior property tax exemption program run a bit easier. The bill clarifies the payback time for certain erroneously claimed exemptions and addresses the signature issue which can be a hassle for some people. The purpose of the bill is to create a minor technical change to existing law and is not to address the policy changes made last year. The bill should be passed as is.

OTHER: The changes made last year to set income thresholds by county were a huge improvement to the law. The change made last session to the residency requirement has caused a number of interpretation and administrative challenges and has became burdensome on assessors and seniors. The Assessors Associations support most of the bill but would like to change the residency requirement back to six months, rather than nine months. The six-month residency requirement is logical in that your primary residence is the place you reside most the year.

Persons Testifying: PRO: Senator Dean Takko, Prime Sponsor; Michael Moran, King County Assessor John Wilson.

OTHER: Steven Drew, WACO, Thurston County Assessor; Mike Lonergan, WACO, Pierce County Assessor-Treasurer.

Persons Signed In To Testify But Not Testifying: No one.