SENATE BILL REPORT
SB 5337

As of February 16, 2021

Title: An act relating to property tax relief for senior citizens and service-connected disabled veterans.

Brief Description: Concerning property tax relief for senior citizens and service-connected disabled veterans.

Sponsors: Senators Wilson, L., Gildon, Rivers, Wagoner and Wilson, J..

Brief History:

Committee Activity: Ways & Means: 2/19/21.

Brief Summary of Bill

- Increases each of the income thresholds for the senior citizen and disabled persons property tax exemption program, by $5,000.

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 by law. The Washington Constitution limits regular property tax levies to a maximum of 1 percent of the property's 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.

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 created a second state levy. For taxes levied for collection in calendar years

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2018, 2020, and 2021, the combined rate for both state levies is $2.70 per $1,000 of assessed value. For taxes levied for collection in calendar year 2019, the combined rate for both state levies is $2.40 per $1,000 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 and the rate is calculated based on the total levy amount.

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.

Senior Citizens and Disabled Veterans Property Tax Relief. Qualifying senior citizens, persons retired due to disability, and veterans are entitled to partial property tax relief on their principal residence. To qualify, a person must be:
- 61 years old in the year of the application;
- retired from employment because of disability; or
- a veteran of the Armed Forces of the United States receiving compensation from the United States Department of Veterans Affairs at either a combined service-connected valuation rate of 80 percent or higher or a total disability rating for a service-connected disability without regard to evaluation percent.

Qualification is based on income thresholds that vary by county. The qualifying income thresholds for a county is the greater of a base threshold or a percentage of the county median household income, as follows:
- income threshold 1 is $30,000 or 45 percent of the county median household income;
- income threshold 2 is $35,000 or 55 percent of the county median household income; or
- income threshold 3 is $40,000 or 65 percent of the county median household income.

The amount of the reduction in property taxes is based on the applicant's income and county of residence, as follows:
- for the highest income threshold that qualifies, a person is exempt from all excess levies and the second state levy;
- for the middle income threshold that qualifies, a person is exempt from all excess levies, the second state levy, and all regular property taxes on the greater of $50,000 or 35 percent of assessed value at a $70,000 maximum; or
- for the lowest income threshold that qualifies, a person is exempt from all excess levies, the second state levy, and all regular property taxes on the greater of $60,000 or 60 percent of assessed value.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill: The term "income threshold" is replaced with "base threshold." Beginning with taxes levied for collection in 2022, the new base thresholds are as follows:
- base threshold 1 means $35,000;
- base threshold 2 means $40,000; and
- base threshold 3 means $45,000.

Base thresholds must be adjusted for inflation beginning with taxes levied for collection in calendar year 2022, and every five years thereafter.

Adjustments to the tax exemption program are not subject to tax preference performance review or automatic expiration.

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.