

SENATE BILL REPORT

SHB 1355

As of March 10, 2023

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

Brief Description: Updating property tax exemptions for service-connected disabled veterans and senior citizens.

Sponsors: House Committee on Finance (originally sponsored by Representatives Wylie, Slatter, Orcutt, Harris, Leavitt, Orwall, Walen, Christian, Couture, Rule, Senn, Stokesbary, Graham, Kloba, Reed, Paul, Donaghy, Pollet and Callan).

Brief History: Passed House: 3/2/23, 96-0.

Committee Activity: Ways & Means: 3/13/23.

Brief Summary of Bill

- Expands eligibility for the senior citizen, disabled individuals, and qualifying veterans property tax relief program by increasing the income thresholds.
- Requires adjustments to income thresholds for property tax relief programs every three years instead of five years.
- Allows continued eligibility for the senior citizen, disabled individuals, and qualifying veterans' property tax exemption if income exceeds the threshold as the result of certain cost of living adjustments for property taxes collected in 2024.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Authorized by a constitutional amendment, qualifying senior citizens,

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persons retired due to disability, and qualifying veterans are entitled to property tax relief on their primary residence (SPTE). To qualify for the SPTE, a person must be any of the following:

- at least 61 years of age;
- at least 57 years of age and the surviving spouse or domestic partner of a person who was an exemption participant at the time of their death;
- unable to work because of a disability; or
- a disabled veteran with a service-connected evaluation of at least 80 percent or receiving compensation from the United States Department of Veterans Affairs at the 100 percent rate for a service-connected disability.

The home must be owned and be the primary residence of the applicant. An applicant's combined disposable income must be under the county's income threshold to qualify. Eligible individuals may qualify for a partial property tax exemption and a valuation freeze.

The partial property tax exemption for the SPTE is provided according to various income thresholds. The income thresholds and associated partial exemptions are as follows:

- income threshold one is the greater of income threshold one for the previous year or 45 percent of county median household income;
 1. applicants qualifying under this income threshold receive an exemption from all excess levies, the additional state levy, and regular levies on the greater of \$60,000 or 60 percent of the assessed valuation;
- income threshold two is the greater of income threshold two for the previous year or 55 percent of county median household income;
 1. applicants qualifying under this income threshold but above income threshold one, receive an exemption from all excess levies, the additional state levy, and regular levies on the greater of \$50,000 or 35 percent of assessed valuation—with a \$70,000 maximum; and
- income threshold three is the greater of income threshold three for the previous year or 65 percent of county median household income;
 1. applicants qualifying under this income threshold but above income threshold two receive an exemption from all excess levies and the additional state levy.

The income thresholds are adjusted every five years to reflect the most recent year of estimated county median household incomes published by the Office of Financial Management. The next scheduled adjustment is March 1, 2024. Beginning with the adjustment made by March 1, 2024, and every second adjustment thereafter, if an income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must be adjusted based on the growth of the seasonally adjusted consumer price index for all urban consumers (CPI-U) for the prior 12-month period, published by the United States Bureau of Labor Statistics, with a limit of 1 percent.

Cities and counties are permitted to exempt participants in the property tax exemption program from any portion of their regular property tax levy attributable to a levy lid lift,

with voter approval.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible individual is frozen, for 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 the person first qualifies for the program. To be eligible, the person must have a disposable income less than income threshold three.

In addition to the SPTE, individuals who meet the requirements, except for the income and age requirements, are permitted to defer their property taxes if their combined disposable income is less than the deferral threshold and they are 60 years or older. The income threshold for the deferral program is the greater of 75 percent of the county median household income or \$45,000.

Summary of Bill: The income thresholds for the SPTE are changed as follows:

- income threshold one is the greater of \$30,000 or 50 percent of the county median household income;
- income threshold two is the greater of \$35,000 or 60 percent of the county median household income; and
- income threshold three is the greater of \$40,000 or 70 percent of the county median household income.

Income thresholds for the SPTE and for the deferral program are to be adjusted every three years, beginning August 1, 2023. Income thresholds that are not adjusted based on changes in county median income will be adjusted by the CPI-U beginning with the August 1, 2023 adjustment, and every adjustment thereafter.

A person continues to qualify for the SPTE if their income exceeds the income threshold as the result of cost of living adjustments to social security or supplemental security payments, for taxes collected in 2024 only.

The Department of Revenue must engage in one-time statewide outreach and public notification of the changes in income thresholds that occur as a result of the bill, subject to appropriations.

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.