HOUSE BILL REPORT
ESSB 5001

As Reported By House Committee On:
Finance

Title: An act relating to the property taxation of senior citizens and persons retired because of physical disability.

Brief Description: Affecting the property taxation of senior citizens and persons retired because of physical disabilities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Sheldon, Snyder, Haugen, Winsley, Quigley, Franklin, Rasmussen and Prentice).

Brief History:

Committee Activity:

Finance: 3/23/95, 4/3/95 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Some senior citizens and persons retired due to disability are entitled to property tax relief in the form of exemptions and deferrals of taxes on their principal residences. To qualify, a person must be 61 in the year of application or retired from employment because of a physical disability, own his or her principal residence, and have a disposable income below specified levels. By administrative practice, the person is required to live in the residence on January 1 of the application year.

To be eligible for an exemption, the disposable income of the applicant's household must fall below $26,000 a year. A partial property tax exemption is provided according to the following table:

Income	Exemption
$18,001 to $26,000	All excess levies
$15,001 to $18,000	All excess levies Regular levy on greater of $30,000 or 30% of valuation ($50,000 valuation maximum)
$15,000 or less	All excess levies Regular levy on greater of $34,000 or 50% of valuation

Eligible persons apply for relief during the calendar year before taxes are due. The applicant must provide evidence of income from the year before the year of application. This requirement results in a two-year delay between the year for which income is measured and the year in which the exemption is received.

In 1994, the Legislature enacted Engrossed House Bill 2670 (1994 1st Sp.S. C 8), but its effective date was contingent upon funding of the administrative costs. The funding was not provided in 1994. Several changes were made to the senior citizen exemption program by EHB 2670:

- o The $26,000 annual income threshold for eligibility was increased to $28,000.

- o For seniors and disabled persons with disposable annual incomes of $28,000 or less, the taxable value of their residences was limited to the lesser of 1) the market value of the residence less the otherwise allowable exemption, or 2) last year's taxable value plus the percentage change used by the federal government in adjusting social security benefits.

- o Income from the application year, rather than the year preceding the application, is used when applying for property tax relief.

- o An applicant for tax relief must occupy the residence at the time of filing for tax relief.

Summary of Amended Bill: All changes made to the senior citizen and disabled person property tax exemption program by EHB 2670, other than the valuation limit, are made effective July 1, 1995, for taxes payable in 1996. The valuation limit in EHB 2670 is repealed.

Amended Bill Compared to Engrossed Substitute Bill: The amended bill does not contain the freeze on property valuation contained in the engrossed substitute bill.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 4, 1995.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect July 1, 1995.

Testimony For: Governor Lowry had asked the assessors to work with the Department of Revenue in the interim to develop a value limit that worked. This helps seniors who retire on fixed incomes from skyrocketing assessments. The freeze language is simpler to explain, easier to implement, and more cost effective.

Testimony Against: We should have a progressive tax system that looks at ability to pay but that is not the case here. The $28,000 level is too high. These people have no mortgage payment and no children at home to raise. There are many people with families making less than $28,000 per year who have to pay taxes and will subsidize these seniors as their taxes shift. This also discriminates against renters who can't even afford a house. Seniors can defer the taxes.

Testified: Senator Betti Sheldon, prime sponsor; Fred Saeger, Washington Association of County Officials (pro); Lloyd Ragan, citizen (con); and Elizabeth Pierini, People for Fair Taxes (con).