

HOUSE BILL REPORT

HB 1022

As Reported By House Committee On:

Finance

Title: An act relating to reducing property taxes.

Brief Description: Reducing property taxes.

Sponsors: Representatives B. Thomas, Dyer, Cooke, Carlson, Casada, Chandler, Brumsickle, Foreman, Silver, Sherstad, Dellwo, Benton, Skinner, Kremen, Hargrove, Horn, Schoesler, Buck, Johnson, Thompson, Beeksma, Goldsmith, Radcliff, Hickel, Backlund, Crouse, Cairnes, Elliot, Reams, Pennington, Mastin, Carrell, Mitchell, K. Schmidt, Quall, Chappell, G. Fisher, Basich, Grant, Smith, Robertson, Sehlin, Honeyford, Van Luven, Pelesky, Koster, Lambert, D. Schmidt, Mulliken, Boldt, McMorris, Clements, Campbell, L. Thomas, Huff, Mielke, Talcott, McMahan, Stevens and Hymes.

Brief History:

Committee Activity:

Finance: 1/12/95, 1/17/95 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 8 members: Representatives B. Thomas, Chair; Boldt, Vice Chair; Carrell, Vice Chair; Hymes; Mulliken; Pennington; Schoesler and Van Luven.

Minority Report: Without recommendation. Signed by 4 members: Representatives Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Campbell and Mason.

Staff: Rick Peterson (786-7150).

Background:

The state annually levies a statewide property tax. The state property tax is limited to a rate no greater than \$3.60 per \$1,000 of market value. The state property tax is also limited by the 106 percent levy limit. The 106 percent levy limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district. The limit for each year is the sum of (a) 106 percent of

the highest amount of property taxes levied in the 3 most recent years, plus (b) an amount equal to last year's levy rate multiplied by the value of new construction.

Property subject to tax is assessed at its true and fair market value, unless the property qualifies under a special tax relief program.

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.

There are three levels of exemption relief, based on income.

- If the disposable income of the applicant's household is below \$26,000 a year, the residence is exempt from all excess or special levies.
- If the disposable income of the applicant's household is below \$18,000 a year, but not less than \$15,000, the residence is exempt from all excess or special levies and is exempt from regular levies on the greater of \$30,000 or 30 percent of the assessed value, but not exceeding \$50,000 of value.
- If the disposable income of the applicant's household is below \$15,000 a year, the residence is exempt from all excess or special levies and is exempt from regular levies on the greater of \$34,000 or 50 percent of the assessed value.

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 2-year delay between the year for which income is measured and the year in which the exemption is received.

In 1994, EHB 2670 (Chapter 8, Laws of 1994, first special session) was adopted with an effective date contingent upon specific funding for administrative costs provided in the appropriations act. Specific funding was not provided in the appropriations act and EHB 2670 has not been implemented.

EHB 2670 made the following changes to the senior citizens and retired persons property tax relief program:

1. Allowed income from the application year, rather than the year preceding the application, to be used when applying for property tax relief. For example, a person applying in December 1995 uses estimated income for 1995 for tax relief that begins with tax payments due in 1996.
2. Delayed the date by which an applicant for tax relief must occupy the residence to the time of filing for tax relief.

3. Increased the \$26,000 annual income threshold for the senior citizen and disabled person property tax exemption to \$28,000.

4. Limited the annual change in taxable value of residences in the senior citizen and disabled person property tax relief program to the percentage change used by the federal government in adjusting social security payments.

Summary of Amended Bill:

The state property tax for collection in 1996 is reduced by 5 percent. The reduced 1996 levy is used for future state levy calculations under the 106 percent levy limit.

Effective for taxes to be collected in 1996, the following provisions of EHB 2670, (Chapter 8, Laws of 1994, first special session) are implemented:

1. Income from the application year, rather than the year preceding the application, is used when applying for property tax relief. For example, a person applying in December 1995, uses estimated income for 1995 for tax relief that begins with tax payments due in 1996.

2. Applicant for tax relief must occupy the residence at the time of filing for tax relief.

3. The \$26,000 annual income threshold for the senior citizen and disabled person property tax exemption is increased to \$28,000.

The provisions of EHB 2670 that limited the annual change in taxable value of residences and the requirement for an appropriation to fund administrative costs are not implemented.

Amended Bill Compared to Original Bill: The original bill contained an appropriation inadvertently added to the bill. The amendment corrects this drafting error.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill supports property tax relief. The Legislature should also consider reducing the motor vehicle excise tax which is paid in lieu of property tax but has a much higher rate.

Testimony Against: Senior citizens need property tax relief. The state needs to restrain school bonds and levies. Until schools are funded correctly, not through bonds and levies, seniors will vote against these measures. The property tax relief offered by this bill is not enough.

Testified: (Pro) Martin Sangster, Loomis Armored Car Service. (Con) Cecil Peter Escalante.