HOUSE BILL REPORT
HB 1158

As Reported By House Committee On:
Finance

Title: An act relating to deferral of property taxes by senior citizens and persons retired by reason of disability.

Brief Description: Modifying procedures regarding equivalent amounts transferred to tax districts for deferred taxes.

Sponsors: Representatives Morris and Van Luven; by request of Department of Revenue.

Brief History:
Committee Activity:
Finance: 1/31/95, 2/2/95 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Campbell; Hymes; Mason; Mulliken; Pennington; Schoesler and Van Luven.

Staff: Rick Peterson (786-7150).

Background: For property tax purposes, property 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 as 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. They must also own their principal residence, and have disposable income below certain levels. Eligible persons with incomes less than $26,000 receive partial exemptions of tax. Eligible persons with incomes less than $30,000 may defer taxes.

Taxes that are deferred become a lien against the property and accrue interest at 8 percent per year. Deferred taxes become due when the claimant ceases to own and live in the residence. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

The budget for the Department of Revenue contains a general fund appropriation to reimburse counties for the amount of tax deferred by participating taxpayers. There are about 1,200 active deferral accounts. In 1994, about $1.1 million was paid to counties to cover deferred taxes.

Initiative 601 created a spending limit for the state's general fund. The limit begins in fiscal year 1996. The limit for fiscal year 1996 is equal to actual spending for fiscal year 1990 rolled forward for inflation and population increases. The limit is reduced by the cost of any program shifted from the general fund to another source of funding on or after January 1, 1993. In addition, if moneys are transferred from the state general fund to another fund or account on or after July 1, 1995, the spending limit is reduced.

Summary of Bill: Amounts owed to counties for taxes deferred under the senior and disabled persons property tax deferral program are paid directly to county treasurers by the State Treasurer rather than the Department of Revenue.

This change in procedure is considered by the Office of Financial Management to be a money transfer taking place before July 1, 1995, and so does not require a reduction in the state general fund spending limit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Even though this appropriation is part of the Department of Revenue's operating budget it is not like the other operating expenses for the department. The program's cost is directly related to the participation in the property tax deferral program. Participation has more than doubled since 1990. The reimbursement to counties is more appropriately handled as a revenue for distribution.

Testimony Against: None.

Testified: Ryan Spiller, Will Rice, and Marv Ostby, Department of Revenue.