FINAL BILL REPORT

2ESSB 5001

C 8 L 95 E1

Synopsis as Enacted

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).

Senate Committee on Ways & Means

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

Disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: Capital gains, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans benefits, Social Security and federal railroad retirement benefits, dividends, and interest income. Payments for the care of either spouse received in the home or in a nursing home are deducted in determining disposable income.

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 (C 8 L 94 E1), 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:

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

- 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.

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

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

Summary: The following changes are made to the senior citizen and disabled person property tax exemption program effective July 1, 1995, for taxes payable in 1996:

(1) All changes made to the senior citizen and disabled person property tax exemption program by EHB 2670, other than the valuation limit.

(2) The valuation limit is simplified. The valuation of the residence is frozen at the market value of the residence on the later of January 1, 1995, or January 1 of the year the person first qualified for the program, but the valuation cannot exceed the market value on January 1 of the assessment year. Failure to qualify only for one year because of high income does not change this valuation upon requalification. The valuation does not transfer to a replacement residence. Subsequent improvements to the residence are added at market value. Any exemption to which the person is entitled is applied to this valuation.

(3) Payments for prescription drugs are deducted in determining disposable income.

Votes on Final Passage:

Senate 40 8

<u>First Special Session</u>
Senate 40 6
House 97 0

Effective: July 1, 1995