

***Finance Committee***

***HB 1574***

***Brief Description:*** *Providing property tax relief for senior citizens and disabled retirees.*

***Sponsors:*** *Representatives Jackley (co-prime sponsor), Cairnes (co-prime sponsor), Ruderman, Linville, Kessler, Keiser, Talcott, Conway, Schual-Berke, Edmonds, Rockefeller, Dunshee, Wood, O'Brien, Darneille and Hurst; by request of Governor Locke.*

***Brief Summary of Bill***

- *Exempts participants in the senior citizens and persons retired due to disability property tax relief program from state property tax.*

***Hearing Date:*** *2/15/01*

***Staff:*** *Rick Peterson (786-7150).*

***Background:***

*All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law.*

*The state imposes an annual property tax. The maximum tax rate is \$3.60 per thousand dollars of market value. The amount of the state property tax is also restricted by the property tax revenue limit. This limit requires the state to reduce its property tax rate as necessary to limit the total amount of property taxes to the highest property tax amount in the three most recent years plus inflation plus an amount equal to last year's tax rate multiplied by the value of new construction in the state. This limit has reduced the state's market value property tax rate to \$2.74 for taxes to be collected in 2001.*

*Assessed values are assigned in each county by the county assessor. The ratio of assessed value to market value varies from county to county, but on average is about 90 percent of market value. The state property tax rate is adjusted in each county so that the effective state tax rate is uniform across all counties. The average state tax rate applied to the local*

*assessed value is \$3.04 per thousand of assessed value.*

*Some senior citizens and persons retired due to disability are entitled to property tax relief 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 of less than \$30,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze.*

*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 except attendant-care and medical-aid payments; 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 and payments for prescription drugs are deducted in determining disposable income.*

*Partial exemptions for senior citizens and persons retired due to disability are provided as follows:*

- A. If the income is \$24,001 to \$30,000, all excess levies are exempted.*
- B. If the income level is \$18,001 to \$24,000, all excess levies and regular levies on the greater of \$40,000 or 35 percent of assessed valuation (\$60,000 maximum) are exempted.*
- C. If the income level is \$18,000 or less, all excess levies and regular levies on the greater of \$50,000 or 60 percent of assessed valuation are exempted.*

*In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or disabled person is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the assessment year a person first qualifies for the program.*

***Summary of Bill:***

*Participants in the senior citizens and persons retired due to disability property tax relief program are provided a property tax exemption for the state property tax on their homes.*

***Appropriation:*** None.

***Fiscal Note:*** Available.

***Effective Date:*** Ninety days after adjournment of session in which bill is passed.