
Finance Committee

HB 1155

Brief Description: Concerning property tax relief for senior citizens and persons retired because of physical disability.

Sponsors: Representatives Pike, Moeller, Buys, Manweller, Hayes, Bergquist and Pollet.

Brief Summary of Bill

- Indexes income thresholds of the senior citizen property tax relief programs to inflation.

Hearing Date: 1/23/15

Staff: Richelle Geiger (786-7175).

Background:

Property Tax.

All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. The Washington Constitution (Constitution) requires that taxes be uniform within a class of property. Uniformity requires both an equal rate of tax and equality in valuing the property taxes.

Property Tax - Senior Citizen Tax Relief.

Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability and veterans entitled to and receiving compensation from the United States Department of Veterans Affairs at total disability rating for a service-connected disability are entitled to property tax relief on their principal residence. To qualify, a person must be 61 years old in the year of the application or retired from employment because of physical disability, own his or her principal residence and have a disposable income of less than \$35,000 a year. Persons meeting this criteria are eligible for a partial property tax exemption and a valuation freeze.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Disposable income is defined as the sum of federally defined adjusted gross income and the following, if not already included: capital gains; deductions for losses; depreciation; pensions and annuities; military pay and benefits; veterans' benefits except attendant-care and medical-aid payments; Social Security and federal railroad retirement benefits; and dividends and interest income on state and municipal bonds. Payments for: the care of either spouse received in the home, in a boarding home, in an adult family home, or in a nursing home; prescription drugs; and Medicare health care insurance premiums are deducted in determining disposable income.

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

- (a) if disposable income level is \$25,000 or less, all excess levies and regular levies on the greater of \$60,000 or 60 percent of assessed valuation of his or her residence are exempted;
- (b) if disposable income level is \$25,001 to \$30,000, all excess levies and regular levies on the greater of \$50,000 or 35 percent of assessed valuation (\$70,000 maximum) are exempted; and
- (c) if disposable income is \$30,001 to \$35,000, all excess levies 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.

In addition to the exemption program, eligible persons of age 60 with disposable incomes less than \$40,000 may defer property taxes. A person is eligible if he or she qualifies for the exemption program, except for the age and income requirements. Taxes that are deferred become a lien against the property and accrue interest at 5 percent per year. If deferred taxes are not repaid within three year after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover taxes.

Summary of Bill:

Beginning in calendar year 2016, income thresholds for the property tax exemption and deferral programs are annually adjusted to reflect the change in the consumer price index. The Department of Revenue must annually publish updated income thresholds by January 1 of each year. If the annual income threshold adjustment is negative, the income threshold for the current year continues to apply.

Consumer price index means the consumer price index for all urban consumers as published by the Bureau of Labor Statistics of the US Department of Labor.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: This act applies to the taxes levied for collection in 2016 and thereafter.