

# SENATE BILL REPORT

## SB 5127

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As Reported by Senate Committee On:  
Government Operations & Security, February 10, 2015

**Title:** An act relating to providing that veterans with total disability ratings and their surviving spouses and domestic partners are eligible to qualify for a property tax exemption without meeting certain income requirements.

**Brief Description:** Providing that veterans with total disability ratings and their surviving spouses and domestic partners are eligible to qualify for a property tax exemption without meeting certain income requirements.

**Sponsors:** Senators Angel, Roach and O'Ban.

**Brief History:**

**Committee Activity:** Government Operations & Security (Note: Senate Resolution 8609 adopted January 27, 2015, renamed the Committee on Government Operations & State Security to Committee on Government Operations & Security): 1/20/15, 2/10/15 [DPS-WM].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

**Majority Report:** That Substitute Senate Bill No. 5127 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Roach, Chair; Benton, Vice Chair; Pearson, Vice Chair; Liias, Ranking Minority Member; Habib and McCoy.

**Staff:** Sam Thompson (786-7413)

**Background:** Washington provides for a partial property tax exemption for senior citizens and certain disabled persons on a primary, owner-occupied residence. To qualify a person must have disposable annual income of less than \$35,000 and be either (1) at least age 61; (2) unable to work because of a disability; or (3) a veteran receiving Veterans Administration compensation at a total disability rating for a service-connected disability.

A surviving spouse or domestic partner of a person receiving the exemption may retain the exemption if the survivor is at least age 57 and otherwise meets the eligibility requirements.

If the person's disposable annual income is as follows:

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*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.*

- \$30,001 to \$35,000 the person is exempt from all excess property tax levies, but not regular levies;
- \$25,001 to \$30,000 the person is exempt from all regular property tax levies on the greater of \$50,000 or 35 percent of assessed valuation – \$70,000 maximum, and all excess levies; and
- \$25,000 or less, the person is exempt from all regular property tax levies on the greater of \$60,000 or 60 percent of assessed valuation, and all excess levies.

Some states have provided for more expansive property tax exemptions for totally disabled veterans and their surviving spouses or domestic partners.

**Summary of Bill (Recommended Substitute):** A veteran receiving Veterans Administration compensation at a total disability rating for a service-connected disability qualifies for an exemption from all regular and excess property tax levies on their principal residence, without any income requirements, on taxes levied for collection in 2016 and thereafter.

A surviving spouse or surviving domestic partner of a veteran receiving the exemption may retain the exemption, without any age or income requirements, so long as the person does not remarry or enter into a new domestic partnership.

With respect to the existing partial property tax exemption for senior citizens and persons unable to work because of a disability, a clarification provides that surviving spouses or domestic partners may retain the exemption, subject to existing age and income requirements, if they remarry or enter into a new domestic partnership.

A tax preference statement is included and states that the policy objective is to provide more-extensive property tax relief to veterans with total disability ratings and their surviving spouses or domestic partners to properly recognize their sacrifice on behalf of the nation and to enable them to remain in their residences, thus reducing homelessness and demand for services in state veterans' homes. The Joint Legislative Audit and Review Committee must report to the Legislature by December 1, 2020, assessing the impact of the tax preference in reducing homelessness and demand for services in state veterans' homes among veterans with total disability ratings and their surviving spouses or domestic partners. This tax exemption is not subject to the ten-year expiration date for new tax preferences.

**EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS & SECURITY COMMITTEE (Recommended Substitute):** Adds a tax preference performance statement stating that the policy objective is to provide more extensive property tax relief to veterans with total disability ratings and their surviving spouses or domestic partners to properly recognize their sacrifice on behalf of the nation and to enable them to remain in their residences, thus reducing homelessness and demand for services in state veterans' homes. Requires that the Joint Legislative Audit and Review Committee report to the Legislature by December 1, 2020, assessing the impact of the tax preference in reducing homelessness and demand for services in state veterans' homes among veterans with total disability ratings and their surviving spouses or domestic partners. Provides that the act is not subject to the ten-year expiration date for new tax preferences. Clarifies that the act applies to taxes levied for collection in 2016 and thereafter. Amends the title.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill:** PRO: This bill appropriately removes means testing for the property tax exemption that veterans with service-connected total disability ratings deserve for their service to the nation. Other states do not have means testing for similar disabled veteran tax exemptions. This bill will help many disabled veterans and could reduce homelessness. The Veterans Administration does not easily certify a service-connected total disability rating.

OTHER: While county assessors support the general policy of this bill, concerns arise regarding implementation, including whether a surviving spouse with a high income should qualify and whether the bill provides a disincentive for surviving spouses to remarry. A new requirement for a tax preference statement in legislation of this type should be considered.

**Persons Testifying:** PRO: Senator Angel, prime sponsor; Ronald Luke, William Powell, Frederick Scheffler, American Legion; John Schilling, Major, U.S. Marine Corps (Ret.); Francis Jeffrey, Military Order of the Purple Heart.

OTHER: Monty Cobb, WA Assn. of County Officials.