SENATE BILL REPORT
SB 5108

As of January 21, 2013

Title: An act relating to property tax exemptions for service-connected disabled veterans and senior citizens.

Brief Description: Concerning property tax exemptions for service-connected disabled veterans and senior citizens.

Sponsors: Senators Padden, Carrell, Roach, Benton, Pearson, Holmquist Newbry, Conway and Hewitt.

Brief History:
Committee Activity: Ways & Means:

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Article 7, section 10 of the state Constitution authorizes the Legislature to grant to retired property owners relief from the property tax on their principal residences. The Legislature is authorized to place restrictions on the relief, including limiting relief to persons below a certain income level. The Legislature has authorized a deferral of tax, an exemption from tax, and a freeze on valuation. These programs are limited to persons under a certain income limit.

For senior citizens and persons retired due to disability to be entitled to a property tax exemption for their principal residences, the:

1. Property taxes must have been imposed upon the principal residence occupied by the person claiming the exemption, with few exceptions;
2. Property must be owned, in some manner, by the person claiming the exemption;
3. Person must be age 61 in the year of application, or retired from employment because of a disability, or 100 percent disabled due to military service;
4. Person must have a combined disposable income of $35,000 or less to be exempt from excess property taxes; and
    a. Must have a combined disposable income of $30,000 or less but greater than $25,000 to be exempt from all regular property taxes on the greater of $50,000

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or 35 percent of the valuation of the person's residence, but not to exceed $70,000 of the valuation of the person's residence; or

b. Must have a combined disposable income of $25,000 or less to be exempt from all regular property taxes on the greater of $60,000 or 60 percent of the valuation of the person's residence.

The valuation of the residence is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the year the person, who has a combined disposable income of $35,000 or less, first qualified for the program, but the valuation cannot exceed the market value on January 1 of the assessment year.

If the person is at least 60 years old or is retired from regular employment because of physical disability, and the person's combined disposable income is $40,000 or less, the person is entitled to defer any property taxes imposed on the property.

Disposable income is defined as adjusted gross income, plus: capital gains; pension and annuity receipts; military pay and benefits other than attendant-care and medical-aid payments; veterans benefits, other than attendant-care and medical-aid payments, disability compensation, and dependency and indemnity compensation; federal Social Security Act and railroad retirement benefits; dividend receipts; and interest received on state and municipal bonds, less amounts deducted for loss and depreciation.

Combined disposable income is defined as the disposable income of the person claiming the exemption, plus the disposable income of the person's spouse or domestic partner, and the disposable income of each cotenant occupying the residence, less amounts paid by the person claiming the exemption or the person's spouse or domestic partner during the assessment year for prescription drugs, the treatment or care of either person received in the home or a facility, and health care insurance premiums for Medicare.

Summary of Bill: For a senior citizen or service-connected disabled veteran to qualify for a property tax exemption, the person's combined disposable income must be $40,000 or less to be exempt from excess property taxes and:

- $35,000 or less but greater than $30,000 to be exempt from all regular property taxes on the greater of $50,000 or 35 percent of the valuation of the person's residence, but not to exceed $70,000 of the valuation of the person's residence; or
- $30,000 or less to be exempt from all regular property taxes on the greater of $60,000 or 60 percent of the valuation of the person's residence.

A person is entitled to defer any property taxes imposed on the property if the person's combined disposable income is $45,000 or less, and is at least 60 years old or is retired from regular employment because of physical disability.

Appropriation: None.

Fiscal Note: Requested on January 18, 2013.

Committee/Commission/Task Force Created: No.

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