SENATE BILL REPORT
SB 6084

As Reported by Senate Committee On:
Ways & Means, February 3, 2014

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 O'Ban, Hill and Brown.

Brief History:
Committee Activity: Ways & Means: 1/27/14, 2/03/14 [DPS, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6084 be substituted therefor, and the substitute bill do pass.
Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Hewitt, Kohl-Welles, Padden, Rivers and Schoesler.

Minority Report: That it be referred without recommendation.
Signed by Senators Frockt, Parlette and Tom.

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 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:

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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 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 (Recommended Substitute): 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.

A tax preference statement is included as required by statute. This tax preference is specifically excluded from the ten-year expiration provision.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): A tax preference statement is included as required by statute. This tax preference is specifically excluded from the ten-year expiration provision.

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: It is time to make this modest adjustment for both seniors and veterans. Many are facing challenging economic times. We want to recognize the service these people have given to us. More and more veterans are searching for work, and this is a way to help them out and recognize their situation.

CON: County assessors generally oppose significant tax shifts. The impact this bill would have on counties is over $1 million. The out-of-pocket cost is about $500,000 for counties. There is a House version of this bill that is now a study. This issue should be looked at before we raise income levels.

Persons Testifying: PRO: Senator O'Ban, prime sponsor; Ted Wicorek, Veterans Legislative Coalition.

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