

SENATE BILL REPORT

SB 5127

As Reported by Senate Committee On:
Government Operations & Security, February 10, 2015
Ways & Means, February 27, 2015

Note: Senate Resolution 8609 adopted January 27, 2015, renamed the Committee on Government Operations & State Security to Committee on Government Operations & Security

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. [**Revised for 2nd Substitute:** Revising a property tax exemption for veterans with total disability ratings and their surviving spouses or domestic partners.]

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].

Ways & Means: 2/25/15, 2/27/15 [DP2S].

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)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5127 be substituted therefor, and the second substitute bill do pass.

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.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Conway, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette, Rolfs, Schoesler and Warnick.

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. Some senior citizens and persons retired due to disability are entitled to a property tax exemption for their principal residences. To qualify a person must be age 61 in the year of application; retired from employment because of a disability or 100 percent disabled due to military service; own the person's principal residence; and have a disposable income of less than \$35,000 per year. Persons meeting this criteria are entitled to partial property tax exemptions and a property valuation freeze. 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.

Disposable income is defined as adjusted gross income, in addition to the following: 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 the following:

- prescription drugs;
- the treatment or care of either person in the home or a facility; and
- health care insurance premiums for Medicare.

Partial exemptions for senior citizens and persons retired due to disability are provided if the person's disposable annual income is as follows:

- \$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.

Summary of Bill (Recommended Second 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. The surviving spouse or surviving domestic partner of a veteran receiving the exemption, may retain the total exemption if the surviving spouse or surviving domestic partner is at least 57 years of age.

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 permanent and, therefore, not subject to the ten-year expiration date for new or expanded tax preferences.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): In order for a surviving spouse or surviving domestic partner (survivor) of a veteran receiving Veterans Administration compensation at a total disability rating for a service-connected disability (veteran) to qualify for the exemption: (1) the veteran must have been receiving the exemption at the time of the veteran's death; and (2) the survivor must be at least 57 years of age. If the survivor remarries or enters into a new domestic partnership, the survivor continues to qualify for the total exemption.

EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS & SECURITY COMMITTEE (Recommended First 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 (Government Operations & Security): 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 (Government Operations & Security): 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.

Staff Summary of Public Testimony on Substitute (Ways & Means): PRO: Washington is one of seven states that does not exempt veterans from paying property taxes. Veterans are a product of the military industry. The result of this industry is a significant amount of disabled veterans. This state is not recognizing that this is a unique issue. Veterans are paying taxes on unrecognized capital gains on a yearly basis. They should be totally exempt from paying property taxes if they are considered 100 percent disabled due to military service.

OTHER: We are concerned about the extension of the exemption to surviving spouses and significant others.

Persons Testifying (Ways & Means): PRO: Fred Scheffler, American Legion.

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