
**Housing, Community Development &
Veterans Committee**

HB 1804

Brief Description: Allowing an additional property tax exemption for seniors, veterans, and persons with disabilities leasing land in a mobile home park or manufactured housing community.

Sponsors: Representatives Orcutt, Appleton, Caldier and Sutherland.

Brief Summary of Bill

- Provides an additional property tax exemption for senior citizens, individuals with disabilities, and disabled veterans who own a mobile or manufactured home and lease the land on which the home is located.

Hearing Date: 2/8/19

Staff: Serena Dolly (786-7150).

Background:

Property Tax – General.

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) limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value [AV]). Excess levies are not subject to this constitutional limit and require voter approval. There are maximum statutory rates for individual taxing districts and maximum aggregate rate to keep the total tax rate of regular property taxes within the constitutional limit. All regular levies, except the state levies, are subject to a statutory revenue growth limit. If the taxing authority has a population of 10,000 or more, the revenue growth limit is the lesser of inflation or 1 percent plus the valuation of new construction. If the taxing authority has a population of less than 10,000, the revenue growth limit is 1 percent plus the value of new construction.

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.

Property Tax – State Levies.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. Over time, the Legislature adopted limitations on the levy, including on the growth of revenue. In 1971, the Legislature adopted the first statutory revenue growth limit for regular levies. In 2007, the Legislature limited the revenue growth rate to the lesser of 1 percent or inflation, plus the value of new construction (revenue growth limit). In 2017, the Legislature adopted Engrossed House Bill 2242, which created the additional state levy.

For taxes levied for collection in calendar years 2020-2021, the combined rate for both state levies is \$2.70 per \$1,000 AV. The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizen, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

Property Tax – Levy Lid Lift.

Voters may approve regular property tax increases above the revenue growth limit. This voter-approved increase is referred to as a levy lid lift. A levy lid lift may be authorized for a single year or for multiple years, not to exceed six years. A multi-year lid lift must be for a specific purpose, and lid lift funds may not supplant existing funds used for the purpose specified in the lid lift ballot proposition.

Property Tax - Senior Citizens Tax Relief.

Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and veterans 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 disability, own their principal residence, and have a combined disposable income of less than \$40,000 a year. Eligible individuals may qualify for a partial property tax exemption and a valuation freeze.

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

- If disposable income is \$35,001 to \$40,000, all excess levies and the additional state levy are exempted.
- If disposable income is \$30,001 to \$35,000, all excess levies, the additional state levy, and regular levies on the greater of \$50,000 or 35 percent of assessed valuation (\$70,000 maximum) are exempted.
- If disposable income is \$30,000 or less, all excess levies, the additional state levy, and regular levies on the greater of \$60,000 or 60 percent of assessed valuation of the principal residence are exempted.

Cities and counties are permitted to exempt participants in the property tax exemption program from any portion of their regular property tax levy attributable to a levy lid lift, with voter approval.

Valuation Freeze: In addition to the partial exemptions listed above, the valuation of the residence of an eligible individual is frozen, for the purpose of calculating property tax liability, at the assessed value of the residence on the later of January 1, 1995, or January 1 of the assessment year in which the person first qualifies for the program. To be eligible, the person must have a disposable income of less than \$40,000.

Deferral: In addition to the exemption program, individuals who meet the requirements for the senior citizen and individuals with disabilities exemption program, except for the income and age requirements, are permitted to defer their property taxes if their combined disposable income is \$45,000 or less and they are 60 years or older. 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 years after the eligible person ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover taxes.

Combined Disposable Income.

For property tax relief programs, "combined 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; 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 when determining combined disposable income.

Senior Citizens Property Tax Relief - Mobile and Manufactured Homes.

The partial property tax exemption applies to mobile and manufactured homes owned by qualifying senior citizens, disabled veterans, and people with disabilities when the home has substantially lost its identity as a mobile unit by virtue of it being permanently fixed in location upon land owned or leased by the owner of the manufactured home and placed on a permanent foundation with fixed pipe connections with sewer, water, or other utilities. When the home is located on land owned by the homeowner, the partial exemption applies to the value of the home and the land. When the home is located on land that is leased or rented by the homeowner, the exemption applies only to the value of the home.

Summary of Bill:

A tenant who owns a mobile or manufactured home is eligible for an additional property tax exemption if:

- the home is located in a mobile home park or manufactured housing community; and
- the tenant qualifies for the partial property tax exemption available for senior citizens, individuals with disabilities, and disabled veterans.

The amount of the additional exemption is calculated by applying the property tax exemption the tenant qualifies for to a fraction of the property tax imposed on the mobile home park or manufactured housing community. The numerator of the fraction is one. The denominator of the fraction is the total number of lots in the mobile home park or manufactured housing community.

The exemption expires on January 1, 2030.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.