

# FINAL BILL REPORT

## SHB 1438

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#### Synopsis as Enacted

**Brief Description:** Expanding eligibility for property tax exemptions for service-connected disabled veterans and senior citizens by modifying income thresholds for eligibility to allow deductions for common health care-related expenses.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Orcutt, Sutherland, Graham, Young, Volz and Eslick).

**House Committee on Finance**

**House Committee on Appropriations**

**Senate Committee on Ways & Means**

#### **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 limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). Excess levies are not subject to this constitutional limit and require voter approval. There are statutory rate maximums for individual taxing districts and aggregate rate maximums 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.

##### Property Tax—Senior Citizens, Disabled Veterans, and Limited Income Households Tax Relief.

Qualifying senior citizens, persons retired due to disability, and veterans 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;

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- retired from employment because of disability; or
- a veteran of the Armed Forces of the United States receiving compensation from the United States Department of Veterans Affairs at either a combined service-connected valuation rate of 80 percent or higher or a total disability rating for a service-connected disability without regard to evaluation percent.

The amount of the reduction in property taxes owed is based on the applicant's income and county of residence.

*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. Qualification for the valuation freeze is based on the applicant's income and county of residence.

*Deferral.*

Individuals who are at least 60 years of age in the year of application or are retired by reason of disability are permitted to defer their property taxes. 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.

*Widow and Widower of Veterans Tax Relief.*

Qualifying widows or widowers of veterans can receive a grant of state funds to pay a portion of their property taxes. Qualified applicants must be a widow or a widower of a veteran who either:

- died as a result of a service-connected disability;
- received compensation from the United States Department of Veterans Affairs at a total disability rating 10 years prior to death;
- was a former prisoner of war receiving compensation from the United States Department of Veterans Affairs at total disability rating one year prior to death; or
- died in active duty or training status.

Applicants for the property tax assistance program must: be over the age of 62 or unable to work because of disability; have a disposable income of \$40,000 or less; own and occupy a primary residence in Washington; and have not been remarried. Repayment of the grant is not required if the applicant continues to live in the residence until at least December 15 in the year a grant is received.

Limited Income Property Tax Deferral Program.

Individuals with an annual household income of \$57,000 or less may defer 50 percent of yearly real property taxes and special assessments. Deferred amounts, including interest, become a lien on the residence. A claimant may not make a claim for deferral under both

this program and the senior citizens limited income deferral program in the same tax year.

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.

**Summary:**

For the purposes of the senior citizen and disabled veterans property tax exemption, the widow and widower of veterans property tax relief program, and the limited income property tax deferral program, expenses that are deducted when determining combined disposable income are expanded to include:

- medicare supplemental insurance policies;
- durable medical equipment;
- mobility enhancing equipment;
- medically prescribed oxygen;
- prosthetic devices;
- long-term care insurance;
- cost-sharing/co-pays;
- nebulizers
- naturopathic medicines;
- ostomic items;
- insulin;
- kidney dialysis devices; and
- disposable devices used to deliver prescription drugs.

**Votes on Final Passage:**

House	98	0	
Senate	48	0	(Senate amended)
House			(House refused to concur/asked Senate to recede)
Senate	49	0	(Senate receded)

**Effective:** July 25, 2021