Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1482

Brief Description: Protecting senior citizens' and disabled veterans' property tax exemption eligibility.

Sponsors: Representatives Orcutt, Chapman, Jacobsen, Leavitt, McClintock and Senn.

Brief Summary of Bill

- Allows a person to continue to qualify for the senior and disabled veterans property tax exemption if their income is increased as the result of cost of living adjustments to various benefit programs.

Hearing Date: 2/7/23

Staff: Rachelle Harris (253-444-316).

Background:

Property Tax - Regular Levies.
All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:
- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies.

Property Tax - Senior Citizens, Disabled Individuals, and Qualifying Veterans Tax Relief.

Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and qualifying veterans are entitled to property tax relief on their primary residence (SPTE). To qualify for the SPTE, a person must be any of the following:

- at least 61 years of age;
- at least 57 years of age and the surviving spouse or domestic partner of a person who was an exemption participant at the time of their death;
- unable to work because of a disability; or
- a disabled veteran with a service-connected evaluation of at least 80% or receiving compensation from the United States Department of Veterans Affairs at the 100% rate for a service-connected disability.

The home must be owned and be the primary residence of the applicant. An applicant's combined disposable income must be under the county's income threshold to qualify. Eligible individuals may qualify for a partial property tax exemption and a valuation freeze.

Partial Tax Exemption: The partial property tax exemption for the SPTE is provided according to various income thresholds. The income thresholds and associated partial exemptions are as follows:

- "Income threshold one" is the greater of income threshold one for the previous year or 45 percent of county median household income. Applicants qualifying under this income threshold receive an exemption from all excess levies, the additional state levy, and regular levies on the greater of $60,000 or 60 percent of the assessed valuation.
- "Income threshold two" is the greater of income threshold two for the previous year or 55 percent of county median household income. Applicants qualifying under this income threshold but above income threshold one, receive an exemption from all excess levies, the additional state levy, and regular levies on the greater of $50,000 or 35 percent of assessed valuation (with a $70,000 maximum).
- "Income threshold three" is the greater of income threshold three for the previous year or 65 percent of county median household income. Applicants qualifying under this income threshold but above income threshold two receive an exemption from all excess levies and the additional state levy.

The income thresholds are adjusted every five years to reflect the most recent year of estimated county median household incomes as published by the Office of Financial Management. The next scheduled adjustment is March 1, 2024. Beginning with the adjustment made by March 1, 2024, and every second adjustment thereafter, if an income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must be adjusted based on the growth of the seasonally adjusted consumer price index for all urban consumers (CPI-U) for the prior twelve-month period as published by the United States bureau of labor statistics, with a limit of 1 percent.

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.

The Department of Revenue (DOR) and local county assessors are required to publicize qualification information and instructions for making claims for the SPTE through communications media, including paid advertisements and/or notices. Details about qualifications and the application process must be included with property tax statements and revaluation notices.

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 income threshold three.

Deferral: In addition to the SPTE, individuals who meet the requirements, except for the income and age requirements, are permitted to defer their property taxes if their combined disposable income is less than the deferral threshold and they are 60 years or older. The income threshold for the deferral program is the greater of 75 percent of the county median household income or $45,000.

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.

Summary of Bill:

If the income of the person qualifying for the SPTE increases as a result of a cost-of-living adjustment to social security benefits, supplemental security income, or pension benefits in an amount that disqualifies them from eligibility for the SPTE, the applicant can maintain eligibility until the next update of the income thresholds. This is applicable to taxes levied for collection in 2024 and thereafter.

Appropriation: None.

Fiscal Note: Requested on January 27, 2023.

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