HOUSE BILL REPORT
HB 2375

As Passed House:
February 13, 2024

Title: An act relating to including an accessory dwelling unit under property that qualifies for the senior citizens property tax exemption.

Brief Description: Including an accessory dwelling unit under property that qualifies for the senior citizens property tax exemption.

Sponsors: Representatives Goehner, Bateman, Orcutt, Simmons, Davis, Sandlin, Rude, Wilcox, Barkis, Schmidt, Steele, Barnard, Shavers, Christian, Reed, Tharinger and Caldier.

Brief History:
Committee Activity:
Finance: 1/25/24, 2/1/24 [DP].
Floor Activity:
Passed House: 2/13/24, 95-1.

Brief Summary of Bill

- Adds one detached accessory dwelling unit to property that qualifies for the senior citizen and disabled persons property tax exemption.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Walen, Wilcox and Wylie.

Staff: Kristina King (786-7190).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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.

Senior Citizen and Disabled Persons Property Tax Exemption.
Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and qualifying veterans are entitled to a senior citizen and disabled person property tax exemption (SPTE) on their principal residence and up to one acre of land. Certain zoning or land-use regulations may allow additional acreage. The definition of principal residence includes attached accessory dwelling units (ADUs).

To qualify for the SPTE, a person must be:
- at least 61 years old;
- at least 57 years old and the surviving spouse or domestic partner of a person who was an exemption participant at the time of their death;
- retired from employment because of disability; or
- a disabled veteran with a service-connected evaluation of at least 80 percent or receiving compensation from the United States Department of Veterans Affairs at the 100 percent 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.

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 50 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 60 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 70 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 three years to reflect the most recent year of estimated county median household incomes as published by the Office of Financial Management. For every adjustment made, 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.

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.

Detached Accessory Dwelling Unit.
A detached ADU is a separate, autonomous residential dwelling unit that provides complete independent living facilities for one or more persons and includes permanent provisions for living, sleeping, eating, cooking, and sanitation.

Tax Preference Performance Statement.
State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

For property taxes levied for collection in 2025 and after, in addition to the primary residence, one detached ADU qualifies for the SPTE.

The addition of a detached ADU to the SPTE is excluded from TPPS requirements, including a JLARC review and the 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This is a simple bill that allows a detached ADU to be treated the same as an attached ADU for purposes of the SPTE. It does not change any other aspects of the exemption program, it simply brings parity and equality to the exemption, particularly for senior citizens who live on the same property as family members. Seniors often want to live close to family, sometimes living in the house of a relative. Family homes cannot always support an attached ADU which qualifies under the exemption. Sometimes a detached ADU is required which is not covered by the exemption. This bill helps with increasing the housing supply and allows seniors to retain their independence while being near their families.

(Opposed) None.

Persons Testifying: Representative Keith Goehner, prime sponsor; Peter Bissinger; and Wes Cornelius, Chelan County.

Persons Signed In To Testify But Not Testifying: None.