SENATE BILL REPORT
SB 5732

As of February 15, 2023

Title: An act relating to protecting senior citizens' and disabled veterans' property tax exemption eligibility.

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

Sponsors: Senators Randall, Rolfes, Conway, Hasegawa, Hunt, Kuderer, Lovelett, Shewmake, Stanford, Valdez and Wilson, C..

Brief History:
Committee Activity: Ways & Means: 2/16/23.

Brief Summary of Bill

- Allows a person to continue to qualify for the senior and disabled veterans property tax exemption in calendar year 2024 if their income is increased as a result of cost of living adjustments to various benefit programs.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: 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

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- 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 45 percent of county median household income;
    1. 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;
    1. 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; and
- "income threshold three" is the greater of income threshold three for the previous year or 65 percent of county median household income;
    1. 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 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, 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.

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

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 maintains eligibility. This is applicable to taxes levied for collection in 2024.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.