

HOUSE BILL REPORT

HB 2639

*As Reported By House Committee on:
Revenue*

Title: An act relating to property tax exempt eligibility status for nonprofit homes for the aging.

Brief Description: Modifying the nonprofit homes for the aging property tax exemption.

Sponsor(s): Representatives Wang, Hine, Brumsickle, Horn, Heavey, Van Luven, Appelwick, Silver, Day, Padden, Sheldon, Franklin, Ogden, G. Fisher, Pruitt, Dellwo, Nelson, Haugen, Rasmussen, Spanel and Winsley.

Brief History:

Reported by House Committee on:
Revenue, January 30, 1992, DPS.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 11 members: Representatives Wang, Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Carlson; J. Kohl; Leonard; Morris; Morton; Silver; and Van Luven.

Minority Report: *Do not pass.* Signed by 2 members: Representatives Fraser, Vice Chair; and Rust.

Staff: Rick Peterson (786-7150).

Background: In 1989, the Legislature changed the property tax exemption for nonprofit homes for the aging. Under the 1989 law, most homes for the aging remained completely exempt from property tax. Some became partially taxable. Homes for the aging subsidized under a Federal Housing and Urban Development program remained completely exempt. Those homes with at least 50 percent of the occupied dwelling units occupied by households with incomes below \$18,000 also remained completely exempt.

A partial property tax exemption is available for the homes that do not qualify for a full exemption. The percent of the property that is exempt is equal to twice the percentage

of dwelling units occupied by persons with incomes below \$18,000.

For property taxes payable in 1992, the Department of Revenue processed 126 exemption applications for homes for the aging. Seventy-eight are fully exempt as HUD facilities and 23 others are fully exempt because they had over 50 percent of the residents with incomes below \$18,000. The remaining 25 are partially exempt. The exemption amount for this group ranges from 18 percent to 87.5 percent with an average of 53 percent.

SSB 5110, passed in the 1991 regular session, increased the income thresholds for the senior citizen homeowner property tax exemption program. The top income threshold, for special levy relief, was increased from \$18,000 to \$26,000. The second threshold, where senior homeowners first become eligible for regular levy relief, was increased from \$14,000 to \$18,000.

SSB 5110 also changed the tie-in between the nonprofit homes for the aging exemption and the senior homeowner exemption program. Rather than being tied to the top income threshold, the formula for the homes for the aging exemption now is tied to the second income threshold, the income threshold where senior homeowners first become eligible for regular property tax relief. This left the income threshold used in the homes for the aging exemption formula unchanged at \$18,000.

Summary of Substitute Bill: The income threshold for determining the nonprofit homes for the aging property tax exemption amount is increased to \$22,000.

For-profit homes for the aging that switch to nonprofit status must wait five years before receiving the property tax exemption available to nonprofit homes for the aging. The exemption is then phased in equally over the following five years.

The Department of Revenue is required to conduct a study of the property tax exemption for nonprofit homes for the aging. The study shall be conducted with the assistance of a study committee composed of residents and managers of nonprofit homes for the aging, representatives of senior citizen advocacy organizations not associated with nonprofit homes for the aging, the county assessors, city officials, and county officials.

Substitute Bill Compared to Original Bill: Representatives of senior citizen advocacy organizations not associated with nonprofit homes for the aging are added to the study group.

Fiscal Note: Available.

Effective Date of Substitute Bill: Effective for taxes to be collected in 1993.

Testimony For: Nonprofit homes for the aging provide a general benefit to the community, they relieve a government burden and they serve charitable classes such as the elderly. The income threshold for the exemption for homes for the aging should be raised. Property taxes paid by homes for the aging are passed onto the residents and create a financial challenge.

Testimony Against: Increasing the income threshold is not equitable for senior citizens who have chosen to remain in their homes. The current exemption is more generous than the exemption provided to senior citizen homeowners. This generous exemption creates local government revenue losses.

Witnesses: In favor: Herbert Edwards, Richard Milsow, and John Veblen, The Hearthstone; Derril Meyer, CRISTA Ministries; Jean Young, Exeter House; and Karen Tynes and Rick Slunaker, Washington Association of Homes for the Aging. In favor of study only: Evan Iverson and Arnold Livingston, Senior Lobby; Jackie McFayden, Association of Washington Cities; Ben Gassaway, Washington Association of County Assessors; Mayor Gene Liddell, City of Lacey; and Dorothy O'Laughlin.