

SENATE BILL REPORT

HB 1642

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 2, 1991

**Brief Description:** Modifying the definition of disposable income for senior citizen tax relief.

**SPONSORS:** Representatives Fraser, Brumsickle, Van Luven, Phillips, Holland, Rasmussen, Winsley and Bowman.

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Gaspard, Hayner, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Saling, Talmadge, West, and Williams.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** April 1, 1991; April 2, 1991

**BACKGROUND:**

Qualifying senior citizens and retired disabled persons are entitled to a property tax exemption on their principal residence. To qualify a person must be 61 on January 1 of the application year, or retired from employment because of a physical disability. In addition, the disposable income of the applicant's household must fall below \$18,000 a year.

Disposable income is the sum of federal adjusted gross income and the following if not already included: capital gains, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans benefits, social security benefits, dividends, and interest income.

**SUMMARY:**

Capital gain from the sale of a principal residence is no longer added to federal adjusted gross income in the income calculation for the senior citizen property tax exemption program. This exemption only covers that portion of capital gain not taxed by the federal Internal Revenue Code because the capital gain is transferred to a new principal residence.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**SUMMARY OF PROPOSED SENATE AMENDMENT:**

Gain from the sale of a personal residence which is not subject to federal income tax under the one-time exclusion for persons over 55 years of age is not added to federal adjusted gross income in the income calculation for the senior citizen property tax exemption program to the extent it is reinvested in a new principal residence.

**TESTIMONY FOR:**

This is a significant little step that helps seniors stay in the program.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Karen Fraser (pro); Representative Art Wang (pro); Ann Clifton, Thurston County Assessor (pro)