
Finance Committee

HB 2713

Brief Description: Providing tax relief for senior citizens and persons retired because of physical disability.

Sponsors: Representatives McMahan, Simpson, G., Cairnes, Talcott, McDonald, Carrell, Condotta, Hinkle, Roach, Pearson, Campbell, Woods and Morrell.

Brief Summary of Bill

- Increases the three income thresholds in the senior citizens property tax relief program from \$30,000 to \$34,000, \$24,000 to \$28,000, and \$18,000 to \$22,000.
- Adjusts the income thresholds and the property value eligible for regular property tax relief for inflation every two years.
- Eliminates the add back for losses taken on the federal income tax to the income used to determine eligibility for the senior citizen and disabled persons property tax relief program.

Hearing Date: 1/30/04

Staff: Rick Peterson (786-7150).

Background:

Some senior citizens and persons retired due to disability are entitled to property tax relief on their principal residences. To qualify, a person must be 61 in the year of application or retired from employment because of a physical disability, own his or her principal residence, and have a disposable income of less than \$30,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze.

Disposable income is defined as the sum of federally defined 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 except attendant-care and medical-aid payments; Social Security and federal railroad retirement benefits; dividends; and interest income. Payments for the care of either spouse received in the home or in a nursing home and payments for prescription drugs are deducted in determining disposable income.

Partial exemptions for senior citizens and persons retired due to disability are provided as follows:

- A. If the income is \$24,001 to \$30,000, all excess levies are exempted;
- B. If the income level is \$18,001 to \$24,000, all excess levies and regular levies on the greater of \$40,000 or 35 percent of assessed valuation (\$60,000 maximum) are exempted; and
- C. If the income level is \$18,000 or less, all excess levies and regular levies on the greater of \$50,000 or 60 percent of assessed valuation are exempted.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or disabled person is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the assessment year a person first qualifies for the program.

Summary of Bill:

The income thresholds for the senior citizens and persons retired due to disability property tax relief program are changed. The \$18,000 income threshold is increased to \$22,000. The \$24,000 income threshold is increased to \$28,000. The \$30,000 income threshold is increased to \$34,000. The property value eligible for regular property tax relief is increased for the two lower income categories.

The income thresholds and the property value eligible for regular property tax relief are adjusted for inflation every two years. The inflation factor is the consumer price index for all urban consumers for the United States. The adjusted amounts are rounded to the nearest \$1,000.

The add back for losses taken on the federal income tax to the income used to determine eligibility for the senior citizen and disabled persons property tax relief program is eliminated.

These changes first apply to property taxes due for collection in 2005.

Appropriation: None.

Fiscal Note: Requested on January 21, 2004.

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