FINAL BILL REPORT
SB 5034

C 270 L 04

Synopsis as Enacted

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

Sponsors: Senators Zarelli, Winsley, McCaslin, T. Sheldon, Hale, Benton, West, Esser, Sheahan, Oke and Kohl-Welles.

Senate Committee on Ways & Means
House Committee on Finance

Background: Some senior citizens and persons who are retired from regular employment because of physical disability are eligible for property tax relief on their personal residences.

If the person is at least 60 years old or is retired from regular employment because of physical disability, and the person's disposable household income is $34,000 or less, the person is entitled to defer any property taxes and special benefit assessments imposed on the property. The deferral program generally applies to the residence and one acre of land, but is increased to up to five acres of land if zoning requires this larger parcel size. Upon death, change in use, or eventual sale of the property, the full amount of the deferred taxes and special benefit assessments is due, along with interest at 8 percent per year.

If the person is at least 62 years old or is retired from regular employment because of physical disability, and the person's disposable household income is $30,000 or less, the person is also entitled to a limit on the value of the residence and a partial property tax exemption. The valuation limit and exemption apply to the residence and up to one acre of land on which it is situated. Application can be made in the year the person reaches the age of 61. A person may retain property tax relief while he or she is confined to a hospital or nursing home, and the residence may be rented to pay the costs.

The valuation of the residence is frozen at the assessed value of the residence on the later of January 1, 1995, or January 1 of the year the person first qualified for the program, but the valuation cannot exceed the market value on January 1 of the assessment year.

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

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

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.

Summary: For purposes of the senior citizens and disabled person's property tax relief program, the definition of disability is tied to the social security definition of disability. Disability means the inability to engage in substantial gainful activity by reason of physical or mental impairment. Generally, under the federal definition individuals can earn up to $930 per month and still be considered disabled.

Income eligibility for the deferral program is increased to $40,000. The income eligibility and partial exemptions for senior citizens and persons retired due to disability are increased as follows:

A. If the income level is $30,001 to $35,000, all excess levies are exempted.
B. If the income level is $25,001 to $30,000, all excess levies are exempted and regular levies on the greater of $50,000 or 35 percent of assessed valuation ($70,000 maximum) are exempted.
C. If the income level is $25,000 or less, all excess levies are exempted and regular levies on the greater of $60,000 or 60 percent of assessed valuation are exempted.

A person may retain property tax relief while he or she is confined to a boarding home or an adult family home, and the residence may be rented to pay the costs.

The income used for determining eligibility for senior citizens and persons retired due to a disability is reduced by payments for medicare health care insurance premiums and for the costs of care in a boarding home or in an adult family home.

Votes on Final Passage:

Senate	44	4	
House	96	0	(House amended)
Senate	46	2	(Senate concurred)

Effective: June 10, 2004