

# HOUSE BILL REPORT

## SHB 2569

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### As Passed Legislature

**Title:** An act relating to the property tax deferral program.

**Brief Description:** Lowering the interest rate for the property tax deferral program.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Morrell, Roach, Campbell, Williams, Kilmer, Clibborn, Conway, Blake, Eickmeyer, Flannigan, Wallace, Roberts, Upthegrove, McCoy, McDonald, Green, Dickerson, Lantz and Springer).

### Brief History:

#### Committee Activity:

Finance: 1/17/06, 1/24/06 [DPS].

#### Floor Activity:

Passed House: 2/3/06, 95-1.

Passed Senate: 3/8/06, 49-0.

Passed Legislature.

### Brief Summary of Substitute Bill

- Reduces the interest rate on deferred property taxes to 5 percent.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

**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 \$35,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze. Eligible persons of age 60 with incomes less than \$40,000 may defer taxes.

Taxes that are deferred become a lien against the property and accrue interest at 8 percent per year. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

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**Summary of Substitute Bill:**

The interest rate on deferred property taxes is reduced to 5 percent. The Department of Revenue is required to study and report on the adequacy and appropriateness of the interest rate in accomplishing the intent of the property tax deferral program.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The property tax deferral program is an option to allow seniors to stay in their home. Long term care for seniors is a concern. The 8 percent interest rate charged in the program is too high considering the current situation. Reverse mortgage fees can be expensive. It is only fair that the state charge a low and predicable rate on the tax deferral.

**Testimony Against:** None.

**Persons Testifying:** Representative Morrell, prime sponsor; and Bruce Reeves, Senior Citizens Lobby.

**Persons Signed In To Testify But Not Testifying:** None.