HOUSE BILL REPORT
SSB 6178

As Passed House:
November 29, 2007

Title: An act relating to providing a fifty percent property tax deferral for households with income of fifty-seven thousand dollars or less.

Brief Description: Providing a fifty percent property tax deferral for households with income of fifty-seven thousand dollars or less.

Sponsors: By Senate Committee on Ways & Means (originally sponsored by Senators Kauffman, Haugen, Rasmussen, Franklin, Brown, Eide, Rockefeller, Kline, Kilmer, Prentice, Hargrove, Shin, Berkey, Oemig and McAuliffe; by request of Governor Gregoire).

Brief History:

Committee Activity: None.

First Special Session

Floor Activity:

Passed House: 11/29/07, 55-39.

Brief Summary of Bill

- Provides a 50 percent property tax deferral for households with income of $57,000 or less.
- Requires the Joint Legislative Audit and Review Committee to evaluate and report on the property tax deferral program by December 1, 2011.

Staff: Jeff Mitchell (786-7139).

Background:

All real and personal property in this state is subject to property tax each year based on its value. Unless the property is exempt from taxation or the owner qualifies under a property tax deferral program for senior citizens and persons retired by reason of disability, property taxes are due on April 30 each year. If one-half of the tax is paid by April 30, then the other half is due on October 31. However, if the first half is not paid on time, the entire tax is delinquent and subject to interest and penalties. If the tax is below $50, then all the tax must be paid by April 30. The state constitution limits the aggregate property tax that can be levied without a vote of the people to a maximum of 1 percent of the true and fair value of the property. Levies in excess of the 1 percent limit require voter approval and are termed excess levies.

Senior citizens and persons retired by reason of disability may be eligible for a property tax deferral. To qualify for the deferral program, the person must: (1) Have a household income of $40,000 or less; (2) be at least 60 years of age or retired by reason of disability; and (3) own and occupy the residence for which the deferral is claimed. The deferred amount may not exceed 80 percent of the equity of the home. The deferred amount becomes a lien on the residence and is repaid from the proceeds of the estate of the last surviving member of the household. The state appropriates funds to the department of revenue to compensate local taxing districts for locally deferred amounts. The department then distributes money to county treasurers for distribution to the affected taxing districts. In 2006, approximately 500 homewners deferred their 2006 taxes for a cost to the state of approximately $400,000.

Special assessments allocate the cost of a public improvement or service to the owner of the property who is specially benefitted by the provision of the improvement or service. Special assessments are similar to property taxes, but are not subject to the uniformity requirement of the Washington state constitution. Therefore, the assessment rate applied to property varies depending upon the benefit conferred to the property or property owner.

Summary:

Individuals with an annual household income of fifty-seven thousand dollars or less may defer fifty percent of yearly real property taxes and special assessments. An individual may not defer taxes or assessments for the first 5 years the individual owns the residence. A qualifying individual pays one-half of yearly real property taxes and special assessments by April 30th and receives a deferral for the remaining one-half. Deferred amounts accrue interest at the federal short-term rate plus two percentage points. Deferred amounts, including interest, become a lien on the residence. The deferred amount may not exceed 40 percent of the equity of the home. Local taxing districts are reimbursed by the state for the local property taxes that are deferred under the program. The deferral applies to tax and special assessment collections after April 30, 2008.

Deferred taxes become due upon the occurrence of any one of several events. The two primary events triggering repayment of deferred taxes and assessments are the sale of the home and the death of the individual claiming the deferral, unless a surviving spouse continues to reside in the home and otherwise qualifies for the deferral.

During calendar year 2011, the Joint Legislative Audit and Review Committee (Committee) is required to evaluate various data sets addressing program participation and costs, and the effectiveness of the program in preventing defaults on residential mortgages for those within the income threshold of the program. The Committee will report its findings and recommendations to the Legislature by December 1, 2011.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.