

# SENATE BILL REPORT

## SHB 1102

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As of February 26, 2008

**Title:** An act relating to property tax exemptions for persons with disabilities related to the performance of military duties.

**Brief Description:** Modifying property tax exemption provisions for veterans of the armed forces.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Campbell, Green, McCune, Conway, Kirby, Appleton, McCoy, Ormsby, B. Sullivan, Hurst, Linville, O'Brien, P. Sullivan, Sells, Springer, Rolfes, Moeller, Wallace and Morrell).

**Brief History:** Passed House: 2/28/07, 96-0; 1/16/08, 96-0.

**Committee Activity:** Ways & Means: 3/15/07, 3/30/07 [DPA].

Government Operations and Elections: 2/22/08, 2/26/08 [w/oRec-WM].

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dianne Criswell (786-7433)

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS AND ELECTIONS

**Staff:** Cindy Calderon (786-7784)

**Background:** All real and personal property is subject to property tax, unless a specific exemption is applied. Property taxes are calculated by multiplying a tax rate by the assessed value of each property. The assessed value must be equal to 100 percent of the fair market value of the property, unless the property qualifies under a special tax relief program. Washington State has two programs to assist senior citizens and disabled persons with payment of their property taxes: the property tax deferral program, and the property tax exemption program. Eligibility for both programs is dependent upon household income, and age or disability.

The property tax exemption program reduces property taxes by freezing the value of the residence and exempting qualified individuals from all excess and special levies; an individual may also be exempt from regular levies. To qualify, an individual must meet the following requirements: the individual must be age 61 in the year of application, or be unable to work because of a disability, or be a veteran with 100 percent service connected disability; the individual must own the home for which the exemption is claimed; the property must be the primary residence; and the applying individual may not have an annual combined

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disposable income of more than \$35,000 a year. Combined disposal income is the disposal income of the person claiming the exemption, the disposal income of that person's spouse, and the disposal income of each cotenant occupying the residence minus deductions.

Disposable income includes income from all sources such as: wages; capital gains; depreciation; pensions and annuities; interest and dividend receipts; military pay and benefits; veterans' benefits except attendant-care and medical aid payments; and Social Security and federal railroad retirement benefits. In computing disposable income, the following deductions may be taken: payments for the care of either spouse received in the home, a nursing home, boarding home or adult family-care home; payments for Medicare insurance premiums; and payments for prescription drugs.

An individual qualifies for an exemption of all excess and special levies if that individual's annual household income is less than \$35,000 a year. An individual whose household income is between \$25,001 and \$30,000 qualifies for an exemption from regular levies on the greater of \$50,000 or 35 percent of the home's assessed value. An individual whose household income is \$25,000 or less qualifies for an exemption from regular levies on the greater of the first \$60,000 or 60 percent of the home's assessed value.

**Summary of Bill:** Eligibility requirements are modified in the Senior Citizen Property Tax Exemption Program. The requirement that a veteran of the armed forces of the United States have a 100 percent service connected disability is removed. A veteran of the armed forces with a combined disposable income of \$70,000 or less will be exempt from all excess property taxes and all regular property taxes on the greater of \$60,000 or 60 percent of the assessed home value; the value of the home will be 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.

Veterans may exclude amounts received as compensation for service connected disabilities and special monthly compensation payments when calculating their combined disposable income.

Disability is defined as the meaning used by the federal Veterans Disability Compensation Program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect for taxes levied for collection in 2008 and thereafter.

**Staff Summary of Public Testimony on Substitute Bill:** PRO: If this bill is not passed approximately 500 quadriplegics veterans will be excluded from the tax exemption program. These individuals receive \$50,000 to adapt their homes, which causes their property taxes to increase by \$50,000. Earning \$76,000 a year but paying \$72,000 a year for attendant care leaves them with a disposable income of about \$700 a month. The real issue is helping the quadriplegic veterans stay in their homes and out of state nursing homes by reducing the property tax. Also, the definition proposed in this bill will be standardized.

OTHER: In defining disability for veterans it needs to be consistent with the definition already being used as related to social security. This bill redefines disability for veterans, and we do not support that. We support the senate version, 5256, because it deducts disability related compensation from the income calculation to qualify, and ask that the contents of the senate bill be incorporated.

**Persons Testifying:** PRO: Skip Dreps, Paralyzed Veterans of America.

OTHER: Julie Murray, Washington State Association of Counties.