SENATE BILL REPORT
SB 6320

As of February 19, 2008

Title: An act relating to a deduction from the combined disposable income calculation for the senior property tax exemption for repairs to property required because of acts of nature.

Brief Description: Providing for a deduction from the combined disposable income calculation for the senior property tax exemption for repairs to property required because of acts of nature.

Sponsors: Senators Haugen, Swecker, Hatfield, Sheldon, Fraser, Shin, Roach, Kilmer, Kohl-Welles, McAuliffe and Rasmussen.

Brief History:
Committee Activity: Ways & Means: 2/07/08.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Some senior citizens, persons retired due to disability, and 100 percent disabled veterans 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.

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, in a boarding home, in an adult family home, or in a nursing home and payments for prescription drugs and payments for medicare health care insurance premiums are deducted in determining disposable income.

Partial exemptions for senior citizens and persons retired due to disability are provided as follows:
1) all excess levies are exempted if the income is $30,001 to $35,000;
2) all excess levies and regular levies on the greater of $50,000 or 35 percent of assessed valuation ($70,000 maximum) are exempted if the income level is $25,001 to $30,000;

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3) all excess levies and regular levies on the greater of $60,000 or 60 percent of assessed valuation are exempted if the income level is $25,000 or less.

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.

Taxes that are deferred become a lien against the property and accrue interest at 5 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.

Summary of Bill: In calculating the disposable income for purposes of the senior property tax exemption and deferral programs, amounts used to repair a residence damaged as a result of acts of nature may be deducted.

Appropriation: None.

Fiscal Note: Requested on January 17, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: CON: This bill could put us in a situation where two houses side by side could both be damaged. The older person could get some tax help where a younger person would not. The way it is written right now, it would cause a tax shift from older persons to younger persons

Persons Testifying: CON: Bruce Walker, Pacific County Assessor.