Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1764

Brief Description: Modifying provisions relating to the disposable income limits for property tax relief for senior citizens, persons retired because of physical disability, and veterans.

Sponsors: Representatives McCune, Campbell and Hope.

Brief Summary of Bill

- Increases the income thresholds in the senior citizens and persons retired due to disability property tax relief program to $40,000 for the exemption program and to $55,000 for the deferral program.
- Increases the income thresholds and the exemption amounts for inflation each year.

Hearing Date: 2/13/09

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 disability, own his or her principal residence, and have a disposable income of less than $35,000 a year. Persons meeting this criteria are entitled to partial property tax exemptions and a valuation freeze.

Disposable income is the sum of their 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, medical-aid payments, and disability compensation; Social Security and federal railroad retirement benefits, dividends, and interest income. Payments for the care of either spouse received in the home, a nursing home, boarding home, or adult family home, as well as payments for Medicare insurance premiums and prescription drugs are deducted in determining disposable income.

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

- If the income level is $30,001 to $35,000, all excess levies are exempted.
- If the income level is $25,001 to $30,000, 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 $25,000 or less, all excess levies and regular levies on the greater of $60,000, or 60 percent of assessed valuation, are exempted.

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 January 1 of the assessment year the person first qualifies for the program.

In addition to the exemption program, 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 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:

The income threshold in the senior citizen and person retired due to disability program income thresholds are increased as follows:

- If the income level is $35,001 to $40,000, all excess levies are exempted.
- If the income level is $30,001 to $35,000, 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 $30,000 or less, all excess levies and regular levies on the greater of $60,000, or 60 percent of assessed valuation, are exempted.

Each year the income thresholds and the exemption amounts are increased by inflation. Inflation is measured by the implicit price deflator for personal consumption expenditures.

The income threshold for the income threshold for the deferral program is increased to $55,000.

Appropriation: None.

Fiscal Note: Requested

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