
Finance Committee

HB 1090

Brief Description: Providing property tax relief to senior citizens.

Sponsors: Representatives MacEwen, Shea, Caldier, Stanford and Young.

Brief Summary of Bill

- Applies a preferential state property tax rate to the first \$250,000 of a qualifying senior citizen's residence.

Hearing Date: 1/29/19

Staff: Rachelle Harris (786-7137).

Background:

Property Tax - Regular Levies.

All real property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017 the Legislature adopted Engrossed House Bill 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018, 2020, and 2021, the combined rate for both state levies is \$2.70 per \$1,000 AV. For taxes levied for collection in calendar year 2019, the combined rate for both state levies is \$2.40 per \$1,000 AV. The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizens,

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individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences. Legislation that establishes or expands a tax preference must include a Tax Preference Performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

For qualifying senior citizens, the first \$250,000 of a residence's value is taxed at a preferential state property tax rate. The preferential rate is the lesser of:

- the combined levy rate for part one and part two of whatever year the claimant turns 65;
or
- the combined levy rate for part one and part two of the current assessment year.

To qualify, a person must have turned 65 in the previous year, occupy the residence, be a resident of Washington, and can only claim the benefit on one residence per year.

The bill is effective for taxes levied for collection in 2022 and thereafter. The bill is exempted from TPPS requirements, the 10 year expiration of tax preferences, and JLARC review.

Appropriation: None.

Fiscal Note: Available.

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