SENATE BILL REPORT
SB 6162

As of January 22, 2026

Title: An act relating to property tax reform by expanding and streamlining the senior citizen property tax relief program, consolidating the state property tax, and making the use of state property tax revenues more transparent.

Brief Description: Concerning property tax reform.

Sponsors: Senators Krishnadasan, Alvarado, Bateman, Chapman, Christian, Conway, Cortes, Dhingra, Frame, Hunt, Liias, Lovelett, Lovick, Nobles, Orwall, Pedersen, Riccelli, Robinson, Saldaña, Salomon, Shewmake, Slatter, Stanford, Valdez and Wilson, C..

Brief History:
Committee Activity: Ways & Means: 1/22/26.

Brief Summary of Bill

- Exempts persons qualifying under the Senior Citizen Property Tax Relief Program (Program) from part 1 of the state property tax.
- Increases the maximum amount of assessed value that may be exempted under the Program.
- Authorizes a standard deduction of $7,500 per person in lieu of itemizing various deductions in the calculation of combined disposable income under the Program.
- Allows up to $6,000 per year of rental income to be excluded from the combined disposable income calculation under the Program when a portion of the primary residence is rented.
- Excludes combat-related special compensation from the combined disposable income calculation.
- Increases qualifying income thresholds under the Program by 10 percentage points.

- Consolidates the state property tax.
- Sets the newly consolidated state property tax rate at 2.06021.
- Requires property tax statements to list the newly consolidated state property tax as the state school levy.
- Makes a technical change to the farm machinery and equipment property tax exemption statute to reflect the newly consolidated state levy.
- Applies changes made in the bill to property taxes levied for collection in 2027 and thereafter.
- Exempts changes made in the bill from the automatic ten year expiration date.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Retired Persons Property Tax Relief Program. Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and qualifying veterans are entitled to property tax relief on their primary residence. To qualify for the property tax relief, a person must be any of the following:

- at least 61 years of age;
- at least 57 years of age and the surviving spouse or domestic partner of a person who was an exemption participant at the time of their death;
- unable to work because of a disability; or
- a disabled veteran with a service-connected evaluation of at least 80 percent or receiving compensation from the United States Department of Veterans Affairs at the 100 percent rate for a service-connected disability.

The home must be owned and be the primary residence of the applicant. An applicant's combined disposable income must be under the county's income threshold to qualify. Eligible individuals qualify for a partial property tax exemption and a valuation freeze.

The partial property tax exemption under the Retired Persons Property Tax Relief Program (Program) is provided according to various income thresholds. The income thresholds and associated partial exemptions are as follows:

- income threshold 1 is the greater of income threshold 1 for the previous year or 50 percent of county median household income. Applicants qualifying under income threshold 1 are exempt from all excess levies, state levy part 2, and regular levies on the greater of $60,000 or 60 percent of the assessed valuation;
- income threshold 2 is the greater of income threshold 2 for the previous year or 60 percent of county median household income. Applicants qualifying under income

threshold 2 but above income threshold 1, are exempt from all excess levies, state levy part 2, and regular levies on the greater of $50,000 or 35 percent of assessed valuation but not to exceed $70,000; and

- income threshold 3 is the greater of income threshold three for the previous year or 70 percent of county median household income. Applicants qualifying under income threshold 3 but above income threshold 2 are exempt from all excess levies and state levy part 2.

The income thresholds are adjusted every three years to reflect the most recent year of estimated county median household incomes published by the Office of Financial Management. Beginning with the adjustment made by August 1, 2023, and every adjustment thereafter, if an income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must be adjusted based on the growth of the seasonally adjusted consumer price index for all urban consumers for the prior 12 month period, published by the United States Bureau of Labor Statistics, with a limit of 1 percent.

Cities and counties are permitted to exempt participants in the property tax exemption program from any portion of their regular property tax levy attributable to a levy lid lift, with voter approval.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible individual is frozen, for calculating property tax liability, at the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year in which the person first qualifies for the program. To be eligible, the person must have a disposable income less than income threshold 3.

Individuals not eligible under the Program may qualify for a separate but related property tax deferral program (Deferral Program), which has a slightly higher qualifying income threshold. Currently, it is 75 percent of the county median household income where the person resides. Under the Deferral Program, a participant elects to postpone or defer the payment of their property taxes on their residence until there is a triggering event such as transferring ownership in the property. For example, a person moves or passes away.

<u>State Property Tax Rate.</u> The state property tax levy, which is dedicated to K-12 education, consists of two parts and each part is often referred to as part 1 and part 2. For calendar year 2026 the equalized property tax rates for part 1 and part 2 are $1.36 and $0.73, respectively, for a consolidated total rate of $2.097.

<u>Property Tax Statements.</u> County assessors send out a property tax statement annually either by mail, or if a taxpayer has signed up for electronic billing, by email. The statement includes property tax information, including the amount of taxes collected for each of the districts in which a property owner's property is located. Tax statements are mailed in mid-February.

Tax Preferences. State law provides 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. Washington has over 700 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement 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 ten years unless an alternative expiration date is provided. Under state law, the Program is exempt from JLARC review.

Summary of Bill: Retired Persons Property Tax Relief Program. Property owners qualifying under the Program are exempt from 100 percent of part 1 of the state levy. Therefore, property owners are exempt from the state property tax in its entirety.

The qualifying income threshold percentages under the Program are increased by 10 percentage points. The qualifying income threshold percentage for the Deferral Program is increased by 15 percentage points.

The amount of assessed value used in determining the amount of regular property tax relief under income thresholds 1 and 2 are increased as follows:

- applicants qualifying under income threshold 1 receive an exemption from regular levies on the greater of $80,000 or 80 percent of the assessed valuation with a $500,000 maximum; and
- applicants qualifying under income threshold 2 receive an exemption from regular levies on the greater of $70,000 or 75 percent of assessed valuation with a $200,000 maximum.

A standard deduction option is provided for determining combined disposable income equal to $7,500 for individuals and an additional $7,500 for spouses and domestic partners.

Combat-related special compensation is excluded from the determination of disposable income.

Up to $6,000 in rental payments may be deducted in the calculation of combined disposable income if the payments are derived from renting a living space in the person's principal place of residence.

State Property Tax Rate. Parts 1 and 2 of the state levy are consolidated into a single, integrated state property tax. For calendar year 2026, the rate is initially set at $2.06021.

Property Tax Statements. Tax statements must identify the state property tax as the state school levy.

Tax Preferences. The changes to the Program do not expire and are not subject to review by JLARC.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill a top legislative priority for the Washington Association of Assessors. Over the last few years, we have seen the cost of living rise. This raises Social Security and retirement cost-of-living adjustments, which lowers the number of people who qualify for the exemption. In 2027, the program will update and reflect new median household income in each county. Over the past decade, we have seen home values rise substantially and the current program limits how much tax can be exempted based on outdated median home values. The bill increases the portion of taxes that will be exempt in each level of qualification, making the program more impactful for those who qualify. And finally, in the interest of fairness, the list of what can be deducted in determining an applicant's household income has grown and this has made the application process more cumbersome for seniors and more time-consuming for assessor staff. The bill establishes these standard deductions as an option for senior citizens to utilize. They can qualify, fill out the form and qualify for the program much more quickly, saving us administrative time and removing that barrier for seniors. This bill will bring needed relief to seniors across our state. With the current threshold, some counties are still not fully able to participate in this program. Updating the thresholds to better reflect costs will ensure equitable participation statewide. In addition, adding the standard deduction as an option and alternative to a complicated itemization process supports and encourages for greater participation. This program is a needed benefit to a growing segment of our communities. A bill that gives people tax relief and expands existing coverage, as the cost of living increases, is good.

CON: Many of us are living on a hamburger helper budget, and this could not be a worse time for this bill. It's time to say no to this. It appears there's a new tax that is levied in this bill.

Persons Testifying: PRO: Steven Drew, Thurston County Assessor and Leg Chair for the Wa Assoc of Assessors; Jennifer Wallace, WA Association of County Officials; Michael McKinley.

CON: Jeff Pack, Washington Citizens Against Unfair Taxes; Laurie Layne.

Persons Signed In To Testify But Not Testifying: No one.