Senior / Disabled Tax Relief

Washington State SCS Senate Committee SERVICES

Senate Ways & Means Committee

September 25, 2006

Programs

- Senior/Disabled Person Exemption Program
- Senior/Disabled Person Deferral Program

Exemption Program

Article 7, section 10 of the constitution states in part:

> *"The legislature shall have the power, by appropriate legislation, to grant retired property owners relief from the property tax on the real property occupied as a residence by those owners."*

Exemption Program

Qualifications:

- Must be 61 years of age, unable to work due to a disability, or a disabled veteran with 100% service connected disability
- Must be the applicant’s principle residence
- Applicant must have ownership interest – life estates, leases for life, and revocable trusts qualify
- Combined disposable income may not exceed $35,000

Combined Disposable Income

Combined disposable income is defined as:

> The disposable income of the person claiming the exemption, the person’s spouse, and any other person residing in the residence who has an ownership interest in the residence for the assessment year.

Disposable Income

The federal adjusted gross income plus:

Statutory Additions to Gross Income

Capital Gains, Losses, Depreciation

Pension & Annuities

Military pay/Benefits, Social Security/Railroad Retirement

Dividends, Interest on State/Municipal Bonds, Veterans Benefits

Reductions from Gross Income

Capital Gain from Sale of Home (reinvested in primary residence)

Non-reimbursed nursing home, boarding home or adult family home costs

Non-reimbursed prescription drugs

Medicare Insurance Premiums – *new in 2004*

Exemption Program

- Valuation Limit – “Freeze”
- Exemptions

Valuation Freeze

- Values are frozen as of January 1, 1995 or January 1 of the subsequent year after qualifying for the program.
- Valuation can never exceed the market value and cannot be transferred to replacement residences.
- Subsequent improvements to the residence are added at market value.

Exemption Program

- 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 are exempted and regular levies on the greater of $50,000 or 35% of the assessed valuation ($70,000 maximum) are exempted.
- If the income level is $25,000 or less, all excess levies are exempted and regular levies on the greater of $60,000 or 60% of the assessed valuation are exempted.

Exemption Example

2005 Market Value	$185,000
2005 Income	$ 27,000
Frozen Value	$150,000

$150,000 x 35% = $52,500

($52,500 is greater than $50,000, but less than $70,000)

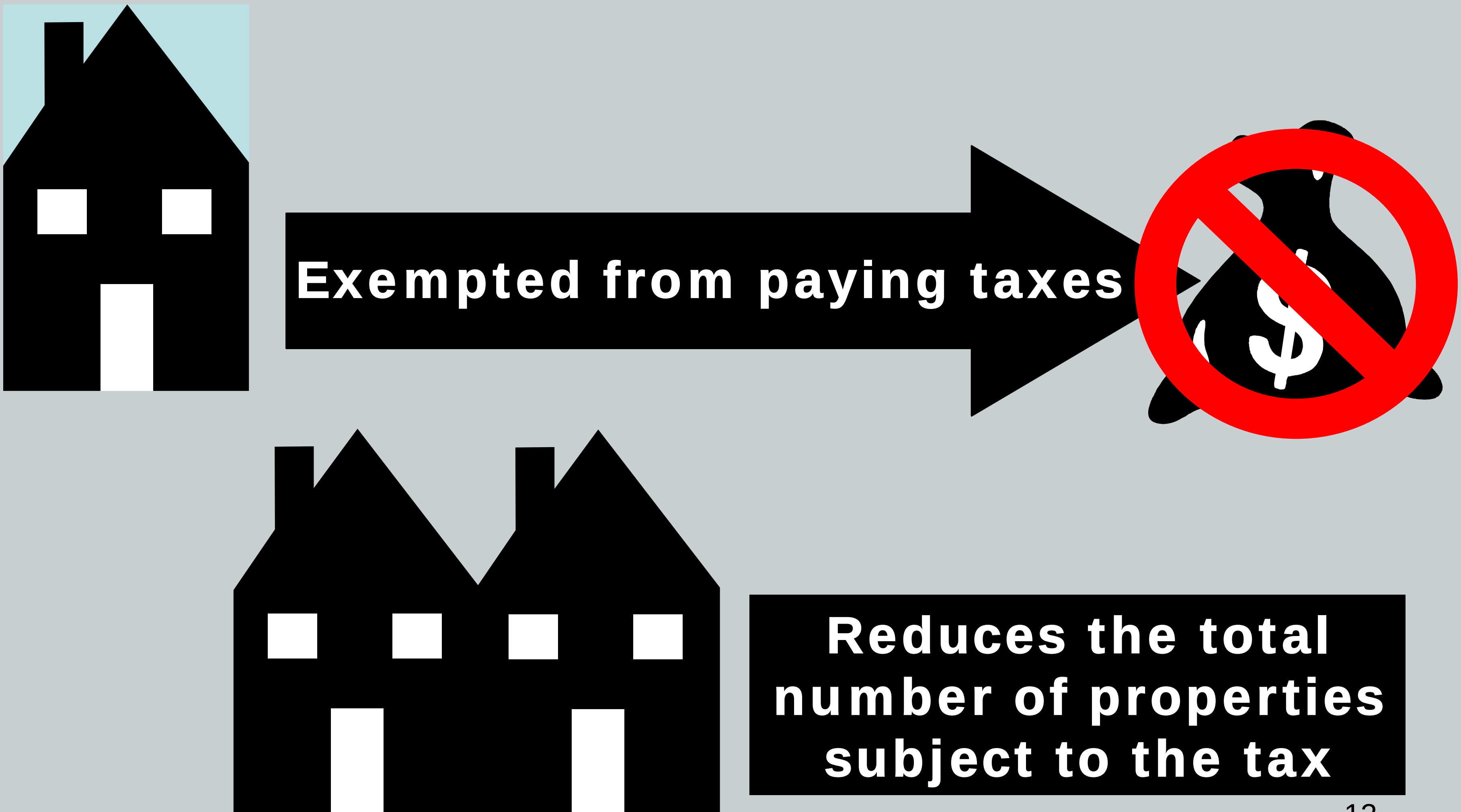
$150,000 - $52,500 = $97,500

Assessed Value = $97,500 (for regular levies)

Exemption Example

Market Value	$185,000
Frozen Value	$150,000
Value Subject to Regular Levies	$ 97,500
Value Subject to Excess Levies	$ 0

Exemption/Freeze Program



Exemption Program

For Taxes Due in 2006:

- 115,801 Approved Applicants
- $161,494,134 Total Relief
- $1,395 Average Relief Per Person

Deferral Program

Qualifications:

- Must be 60 years old or unable to work due to a disability
- Must be the applicant’s principle residence
- Must be owned by the applicant – Life estates, leases for life, and revocable trusts do no qualify
- Combined disposable income may not exceed $40,000
- Equity must be sufficient to cover the interest of the state

Deferral Program

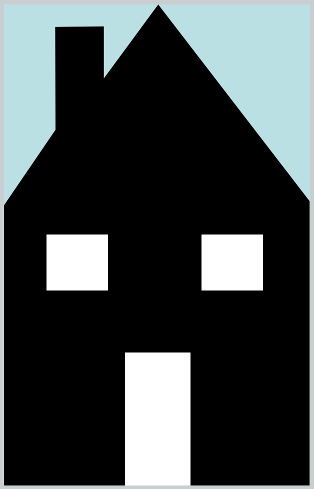
- Allows a qualifying individual to defer (postpone) payment of property taxes.
- The amount of the deferred taxes and/or special assessments, plus interest, becomes a lien in favor of the state until the amount is repaid.
- Up to 80% of the equity in the house may be deferred.

Deferral Program

The deferred amount and interest must be repaid when one of the following has occurred:

- The property is transferred or conveyed to someone else
- The qualifying owner dies, unless his/her spouse files an application with the county assessor within 90 days of death
- The qualifying owner no longer permanently resides at the residence
- Fire and casualty insurance is not kept in an amount sufficient to protect the interest of the state
- The deferred amount, plus interest, exceeds 80% of the equity in the insured value of the residence, plus the land value

Deferral Program



Taxes paid at a later date

Included in the total number of properties subject to the tax

Deferral Program

- Total Active Accounts – 1,041
- Current Accounts Receivable - $9.48 Million
- Amounts Deferred in 2005 - $826,273
- Repayments in 2005 - $1,298,095

Comments/Questions