

# SENATE BILL REPORT

## SHB 3164

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As Reported By Senate Committee On:  
Ways & Means, February 27, 2006

**Title:** An act relating to an increase in the personal property tax exemption for the head of a family.

**Brief Description:** Increasing the head of a family personal property tax exemption amount.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Kilmer, Kristiansen, Linville, Bailey, Pettigrew, P. Sullivan, Dunn, Ericks, Appleton, Green, Morrell, Sells and Simpson).

**Brief History:** Passed House: 2/11/06, 97-0.

**Committee Activity:** Ways & Means: 2/24/06, 2/27/06 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Terry Wilson (786-7433)

**Background:** All property in this state is subject to the property tax each year based on the property's value, unless a specific exemption is provided by law. Property taxes apply to both real and personal property. Because household goods and business inventories are exempt from tax by statute, taxable personal property consists mainly of office supplies and business equipment used in a private business.

The State Constitution and statutes provide a personal property exemption of \$3,000 for each head of a family. This exemption was increased from \$300 by a constitutional amendment approved by the voters in 1988. Individuals operating a business in their homes are subject to the personal property tax on their taxable personal property with a \$3,000 exemption.

Under rules of the Department of Revenue, a head of a family means an individual, not an entity such as a corporation, limited liability company, or a partnership. The following persons are eligible as a head of a family under the rules: Any person receiving an old age pension under the laws of this state; any citizen of the United States, over the age of 65, who has resided in the state of Washington continuously for 10 years; a husband or wife, when the claimant is a married person, or a surviving spouse not remarried; and any person who resides with, and provides care and maintenance for, other family members.

**Summary of Bill:** The personal property tax exemption for a head of family is increased to \$15,000 for taxes payable in 2007 and thereafter.

This bill implements the constitutional amendment in House Joint Resolution 4223.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on January 1, 2007, if HJR 4223 is approved by the voters at the next general election.

**Testimony For:** The personal property tax is a surprise to small business because the property is not taxed in the house unless it is used in a business. This provides a benefit to a broad number of small businesses. It significantly reduces paperwork.

**Testimony Against:** None.

**Who Testified:** PRO: Representative Kilmer, prime sponsor; Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association.