HOUSE BILL REPORT

HB 1619

As Reported By House Committee on:
Housing

Title: An act relating to property tax exemptions for improvements to multifamily rental housing.

Brief Description: Creating a property tax exemption for improvements to multifamily rental housing.

Sponsor(s): Representatives Mitchell, Nelson, Franklin, Wynne, Ferguson, Haugen, Cooper, Rayburn, Roland, Wood, Edmondson, Nealey, Zellinsky, Ogden, Ballard, Winsley, Tate, Paris, D. Sommers, Brough, Wilson, Betrozoff, Jacobsen, Bowman, R. Johnson, Leonard, Padden, Miller and Moyer.

Brief History:
Reported by House Committee on:
Housing, March 4, 1991, DPS.

HOUSE COMMITTEE ON HOUSING

Majority Report: *That Substitute House Bill No. 1619 be substituted therefor, and the substitute bill do pass.* Signed by 7 members: Representatives Nelson, Chair; Franklin, Vice Chair; Mitchell, Ranking Minority Member; Winsley, Assistant Ranking Minority Member; Ballard; Leonard; and Ogden.

Staff: Kenny Pittman (786-7392).

Background: The Washington Constitution requires that all property subject to property tax be assessed at its true and fair value. In most cases this is the market value in the property's highest and best use. When determining the true and fair value for assessment purposes, the county assessor also considers any physical improvements that have been made to the property.

The Department of Revenue has a program where owners of single family residences can apply to the county assessor to have the value of any physical improvement exempt from property taxation. The exemption is for the three assessment years after completion of the improvement. The exemption can only be claimed once during a five-year period.

At the end of the three-year assessment period the property is assessed for property tax purposes. The new assessment is based on the value of the property and the physical improvement made by the property owner.

Summary of Substitute Bill: The Department of Revenue is directed to provide a property tax exemption for physical improvements made to multifamily residential dwellings. The physical improvement is exempt from taxation for the three assessment years after the completion of the improvement.

To qualify for the exemption the property must meet the following requirements:

1. The property must be either owned or leased by an organization eligible to receive assistance through the Washington Housing Trust Fund Program.

2. The property must contain two or more residential dwelling units.

3. The value of the improvements can not exceed 50 percent of the value of the original structure.

4. The structure must have either: (a) 20 percent or more of the dwelling units must be occupied by tenants with incomes at or below 50 percent of median income; or (b) 40 percent or more of the dwelling units must be occupied by tenants with incomes at or below 60 percent of median income. The tenant income figures are based on household size and for the county where the project is located. The Department of Community Development must provide county median income figures that are adjusted for household size.

5. The gross rents paid by tenants in the specified dwelling units can not exceed 30 percent of the qualifying income, adjusted for household size, for the county where the project is located.

Applications for the property exemption are required to be submitted to the county assessor and approved before any improvements are made. The owner can only claim the property tax exemption once in a five-year period.

The Department of Revenue, in consultation with the Department of Community Development, shall adopt rules for the operation of the multifamily improvements property tax exemption program. Applicants making false statements will be subject to having the tax exemption revoked by the Department of Revenue.

The property tax exemption for physical improvements to multifamily residential dwellings is set to expire January 1, 2001.

Substitute Bill Compared to Original Bill: The 50 percent limitation on improvements is based on the value of the original building and not on the original value of the building. The gross paid by tenants in dwelling units set aside for lower-income tenants can not exceed 30 percent of the qualifying income, adjusted for household size. The Department of Community Development must provide county median income figures that are adjusted for household size. Administrative changes are made for the operation of the tax exemption program.

Fiscal Note: Available.

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

Testimony For: Delaying the impact of property taxes will encourage the rehabilitation of multifamily housing. The targeting provisions of the bill makes sure that lower-income households receive a benefit for the three-year property tax exemption on improvements. This will also work well with existing housing programs.

Testimony Against: None.

Witnesses: Mike Ryherd, Low-Income Housing Congress (in favor of bill); and Robert Jacobson, Senior Lobby (in favor of bill).