

SENATE BILL REPORT

HB 2073

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 5, 1993

**Brief Description:** Modifying eligibility requirements for the nonprofit homes for the aging property tax exemption.

**SPONSORS:** Representative Wang

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON HEALTH & HUMAN SERVICES**

**Majority Report:** Do pass.

Signed by Senators Talmadge, Chairman; Wojahn, Vice Chairman; Deccio, Erwin, Franklin, Fraser, Hargrove, McAuliffe, Moyer, Niemi, Prentice, Quigley, Sheldon, L. Smith, and Winsley.

**Staff:** Shannon Murphy (786-7483)

**Hearing Dates:** March 30, 1993

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Owen, Quigley, Roach, L. Smith, Snyder, Sutherland, Talmadge, West, Williams, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** April 5, 1993

**BACKGROUND:**

Nonprofit homes for the aging are residential housing facilities for persons at least 62 years of age. These nonprofit homes are eligible for a property tax exemption. Some nonprofit homes for the aging receive a full exemption and others receive a partial exemption. The exemption amount is determined by a two part formula.

The first part of the formula fully exempts nonprofit homes for the aging that are subsidized under a federal Housing and Urban Development program (HUD). It also fully exempts nonprofit homes with at least 50 percent of the occupied dwelling units occupied by households with incomes below \$22,000 in disposable income.

The second part of the formula provides a partial property tax exemption for the homes that do not qualify for a full

exemption. The percent of the property that is exempt is equal to twice the percentage of dwelling units occupied by persons that are below \$22,000.

There are 147 nonprofit homes for the aging in Washington. Of these homes, 93 are fully exempt as HUD facilities and 31 others are fully exempt because they have 50 percent of the residents with incomes below \$22,000. The remaining 25 are partially exempt. The exemption amount for this group ranges from 25 percent to 96 percent with an average of 63 percent.

SHB 2639 (1992 session) directed the Department of Revenue to conduct a study of the property tax exemption for nonprofit homes for the aging. The study was conducted with the assistance of a study committee composed of residents and managers of nonprofit homes for the aging, representatives of senior citizen advocacy organizations not associated with nonprofit homes for the aging, the county assessors, city officials, and county officials.

The study committee made the following recommendations:

The \$22,000 income threshold should be increased to the greater of \$22,000 or 80 percent of county median income adjusted for family size.

Nonprofit homes for the aging should be completely exempt from tax if the home is a federal Housing and Urban Development subsidized home under current law, or if the home is financed with tax-exempt bonds requiring low income set asides, or if 50 percent of the home's residents are below the income threshold under current law.

Only the proportion of residents with incomes below the income threshold rather than twice the proportion of residents with incomes below the income threshold should be used when determining the partial exemption amount.

Housing units in which residents receive significant assistance with the activities of daily living should be exempt.

The personal property of a nonprofit home for the aging should be exempt from property tax.

Any increase in assessed value due to these recommendations should be phased-in over three years.

**SUMMARY:**

The study committee recommendations are implemented. Nonprofit homes for the aging financed with tax-exempt bonds requiring low income set asides are exempt from property tax.

The \$22,000 income threshold is increased to the greater of \$22,000 or 80 percent of county median income adjusted for family size.

The current law feature that provides complete exemption for homes where 50 percent or more of the residents have incomes below the income threshold is retained.

Only the proportion of residents with incomes below the income threshold rather than twice the proportion of residents with incomes below the income threshold is used when determining the partial exemption amount.

Housing units in which residents receive significant assistance with the activities of daily living are exempt.

The personal property of a nonprofit home for the aging is exempt from property tax.

Any increase in assessed value due to changes in the exemption amount by this bill are phased-in over three years.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR (Health & Human Services):**

The study group assembled by the Department of Revenue developed a fair and equitable program for property tax exemptions for nonprofit homes for the aging. The group developed this program through a consensus decision.

**TESTIMONY AGAINST (Health & Human Services):** None

**TESTIFIED (Health & Human Services):** PRO: Jack Sage, AARP; John Veblen, Hearthstone resident; Ben Gassaway, Clark County Assessor; Will Rice, Dept. of Revenue; Greg Cuoio, City of Lacey; Karen Tynes, WA Assn. of Homes for the Aging; Irene Robbins, Senior Lobby

**TESTIMONY FOR (Ways & Means):** None

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** No one