

# HB 1287

## Bill Analysis

February 20, 1997

**Brief Description:** Exempting low-income multifamily housing from property taxation.

**Bill Sponsors:** Representatives Radcliff, Pennington, Morris, O'Brien, Costa, Linville, Mitchell, Van Luven, Wood, Scott, Mason, Conway and D. Schmidt.

**Staff:** Rick Peterson (786-7153)

**Background:** All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

The state annually levies a statewide property tax. The state property tax is limited to a rate no greater than \$3.60 per \$1,000 of market value. The state property tax is also limited by the 106 percent levy limit which has reduced the rate below \$3.60. The state tax rate for 1997 is \$3.41 per \$1,000 of market value.

There are several exemptions from property tax. Some exemptions are available for housing-related properties. Property belonging to a nonprofit home for the aging can qualify for a partial or total exemption. Property belonging to a nonprofit organization that provides emergency or transitional housing to low-income persons or victims of domestic violence is exempt from payment of property tax. In addition, persons over age 61 or retired, due to disability, who have incomes below \$28,000 are eligible for a partial exemption from the property tax on their home.

**Summary of Bill:** Multi-unit housing, rented to low-income households, is exempt from the state property tax under the following conditions:

1. The housing has four or more rental units;
2. At least 50 percent of units are occupied by households with income at or below 40 percent of county median family income; and
3. Monthly rents, including utilities, do not exceed 40 percent of the low income household's income.

If fewer than 50 percent of the units are occupied by low-income households, then a partial exemption from the state property tax is available. The partial exemption is equal to the ratio of rental units occupied by low-income households to the total number of occupied rental units. Nonprofit organizations and other landlords are eligible for the exemption.

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Applications for exemption are made with the county assessor in the year before the taxes are payable. The exemption must be renewed once every two years. Applications must include information on the rent charged and the income of the low income households. Income information may not be disclosed by the assessor or the Department of Revenue except in a judicial proceeding related to the qualifications for the exemption. Property owners must inform the county assessor of changes affecting the exemption.

If an exemption is obtained based on erroneous information, taxes and penalties will be collected for up to ten years.

**Fiscal Note:** Requested

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