HOUSE BILL REPORT
HB 2098

As Passed Legislature

Title: An act relating to the exemption from taxation of housing for very low-income households.

Brief Description: Changing the property tax exemption for very low-income households.

Sponsors: By Representatives Edmonds, Pennington, McIntire, Jarrett, Morris, Cairnes, Santos and Conway; by request of Department of Revenue.

Brief History:
Committee Activity:
Finance: 3/1/01.
First Special Session
Floor Activity:
Passed House: 5/21/01, 87-0.
Passed Senate - Amended: 5/23/01, 44-0.
House Concurred.
Passed House: 5/24/01, 96-0.
Passed Legislature.

Brief Summary of Bill

Makes changes to the property tax exemption for nonprofit entities providing very low-income rental units:

- Expands program to include mobile home parks, group homes, and tribal and intertribal housing authorities.
- Moves the date for calculating the number of very low-income occupants from January 1 to December 31 for the first year of operation.
- Retains the exemption if the occupant's income rises above 50 percent of median income but remains below 80 percent of median income in facilities with 10 or fewer units.
- Allows the exemption for property that will be used for very low-income rental units within two years if financing is committed from a federal, state, or local housing program.

HOUSE COMMITTEE ON FINANCE

Majority/Minority Report: None.

Staff: Rick Peterson (786-7150).

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 of real property, including the land itself, and all buildings, structures, or improvements or other fixtures sitting upon such land, by the tax rate for each taxing district in which the property is located. There are several exemptions from property tax.

In 1999, the Legislature exempted from property tax rental housing for very low-income households that either: (1) are owned or used by a nonprofit; or (2) have the nonprofit as the general partner or managing member with a for-profit corporation. The property tax exemption applies to rental property that meets the following conditions:

- The benefit of the exemption goes to the nonprofit;
- At least 75 percent of the occupied dwelling units are occupied by very low-income

households. Very low-income household have incomes at or below 50 percent of the median income, adjusted for household size, for the county where the property is located; and

· The rental housing was insured, financed, or assisted in whole or in part through a federal or state program administered through the Department of Community, Trade, and Economic Development or through a local affordable housing levy.

If fewer than 75 percent of the units are occupied by very low-income households, a partial exemption from the property tax is available. The partial exemption is equal to the ratio of rental units occupied by very low-income households to the total number of occupied rental units.

Eligible nonprofits apply for tax relief during the year before taxes are due. The number of dwelling units occupied by very low-income persons is counted on January 1 of the year in which they apply. The reduction in the property tax bill occurs in the following year. There is a one-year delay between the date on which the number of low income occupants is measured and the year in which the exemption is received.

The nonprofit may agree to make payments in-lieu of taxes to a local government for improvements, services, and facilities that are furnished and benefit the rental housing. The payments may not exceed the amount paid as an annual tax by the nonprofit to the local government.

In general, the property tax exemption for any eligible nonprofit organization is not available on property that is purchased by the nonprofit where the seller has retained the right to repurchase the property.

Summary of Bill:

The property tax exemption for nonprofit entities providing very low-income rental units is modified in a number of ways:

The program is expanded to include providing spaces in mobile home parks.

The date for calculating the number of very low-income occupants is moved from January 1 to December 31 for the first year of operation.

The exemption is retained if the occupant’s income rises above 50 percent of median income but remains below 80 percent of median income in facilities with 10 or fewer units.

Nonprofit entities may receive the exemption on property that will be used for very low-income rental units within two years if financing is committed from a federal, state, or local housing program.

The program is expanded to include group homes. The incomes of occupants are not added together when determining eligibility for a group home that was financed by state or local housing program.

Tribal and intertribal housing authorities are included in the program.

The prohibition against providing an exemption for property with a repurchased option is relaxed if the entity with the repurchase agreement is a nonprofit organization, a city or county housing authority, or a tribal or intertribal housing authority.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill deals with an important program that provides rental housing to the lowest of low income families. The law needs a few changes to help make low income housing available. The bill corrects barriers to creating low income housing. Currently, the January 1 date for counting the number of low income families causes the project to pay taxes in the first year of occupancy. The bill corrects this problem. The bill also makes it possible to renovate a building and retain the property tax exemption. The bill adds the land and infrastructure of low income mobile homes parks to the program.

Testimony Against: None.

Testified: Doug Hobkirk, Manufactured Housing Community Preservationists; Nick Federici, Washington Low-Income Housing Congress; Susie Kemp, Low Income Housing Institute; Geoffrey Spelman, Mt. Baker Housing Association; Tim Sekerak and Fred Kiga, Department of Revenue; and Kim Harman, Housing Finance Commission.