

FINAL BILL REPORT

SHB 2466

C 146 L 02

Synopsis as Enacted

Brief Description: Revising the multiple-unit dwellings property tax exemption.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Morell, Kirby, Edwards, Darneille, Van Luven, Anderson, Simpson, Talcott, Hunt, Esser, Ahern, Carrell, Jarrett, Bush, Boldt, Casada and Woods).

House Committee on Finance
Senate Committee on Ways & Means

Background:

New, rehabilitated, or converted multifamily housing projects in targeted residential areas are eligible for a 10-year property tax exemption program. The program's purpose is to increase multifamily housing in urban centers.

The property tax exemption applies to the new housing construction and the increased value of the building due to rehabilitation made after the application for the tax exemption. The exemption does not apply to the land or the non-housing related improvements. If the property is removed from multifamily housing use before 10 years, then back taxes are recovered based on the difference between the taxes paid and taxes that would have been paid had the property not been put to multifamily use.

The property tax exemption program is limited to cities with a population of at least 50,000 and to the largest city or town within a county planning under the Growth Management Act. A targeted residential area must be located within an urban center, lack sufficient available, desirable, and convenient residential housing to meet public demand, and increase permanent residents in the area or achieve the planning goals of the Growth Management Act. The city is authorized to establish standards and guidelines for approving tax exemption applications by developers.

Taxing district property tax amounts that are imposed within the constitutional 1 percent rate limit are constrained by a limit on annual increases. Generally, these taxing districts may not increase the property tax amount by more than 1 percent without a public vote. However, the district may also increase the property tax amount by the value of new construction in the district multiplied by the preceding year's property tax rate.

Summary:

The minimum population cap is reduced from 50,000 to 30,000 for the multifamily housing property tax exemption program.

When the property is no longer exempt, the cost of the rehabilitation or construction will be counted as new construction when calculating the maximum district property tax amount.

Cities may limit the tax exemption to individual dwelling units that meet the city guidelines for the program when these units are separate for the purpose of property taxation.

Votes on Final Passage:

House 97 0

Senate 43 5

Effective: June 13, 2002