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HOUSE BILL 2098

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State of Washington

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

Read first time 02/14/2001. Referred to Committee on Finance.

1 AN ACT Relating to the exemption from taxation of housing for  
2 very low-income households; amending RCW 84.36.560; and reenacting  
3 and amending RCW 84.36.805.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 84.36.560 and 1999 c 203 s 1 are each amended to read  
6 as follows:

7 (1) The real and personal property owned or used by a nonprofit  
8 entity in providing rental housing for very low-income households  
9 or used to provide space for the placement of a mobile home for a  
10 very low-income household within a mobile home park is exempt from  
11 taxation if:

12 (a) The benefit of the exemption inures to the nonprofit  
13 (~~organization, association, or corporation~~) entity;

14 (b) At least seventy-five percent of the occupied dwelling  
15 units in the rental housing or lots in a mobile home park are  
16 occupied by a very low-income household(~~s~~); and

17 (c) The rental housing (~~was~~) or lots in a mobile home park  
18 were insured, financed, or assisted in whole or in part through:

1 (i) A federal or state housing program administered by the  
2 department of community, trade, and economic development; or

3 (ii) An affordable housing levy authorized under RCW 84.52.105.

4 (2) If less than seventy-five percent of the occupied dwelling  
5 units within the rental housing or lots in the mobile home park  
6 are occupied by very low-income households, the rental housing  
7 ((used to provide housing for very low income households)) or  
8 mobile home park is eligible for a partial exemption on the real  
9 property and a total exemption of the housing's or park's personal  
10 property as follows:

11 (a) ~~((The))~~ A partial exemption shall be allowed for each  
12 dwelling unit in the rental housing or for each lot in a mobile  
13 home park occupied by a very low-income household((s)).

14 (b) The amount of exemption shall be calculated by multiplying  
15 the assessed value of the property reasonably necessary to provide  
16 the rental housing or to operate the mobile home park by a  
17 fraction. The numerator of the fraction is the number of dwelling  
18 units or lots occupied by very low-income households as of  
19 December 31st of the first assessment year in which the rental  
20 housing or mobile home park becomes operational or on January 1st  
21 of ((the)) each subsequent assessment year for which the exemption  
22 is claimed. The denominator of the fraction is the total number of  
23 ((occupied)) dwelling units ((as of)) or lots occupied as of  
24 December 31st of the first assessment year the rental housing or  
25 mobile home park becomes operational and January 1st of ((the))  
26 each subsequent assessment year for which exemption is claimed.

27 (3) ~~((Rental housing for very low income households is exempt~~  
28 ~~from property taxation only if the nonprofit operating the housing~~  
29 ~~is exempt from income tax under section 501(c) of the federal~~  
30 ~~internal revenue code)) If a currently exempt rental housing unit  
31 or mobile home lot was occupied by a very low-income household at  
32 the time the exemption was granted, and the income of the  
33 household subsequently rises above fifty percent of the median  
34 income but remains at or below eighty percent of median income  
35 adjusted for family size as most recently determined by the  
36 federal department of housing and urban development for the county  
37 in which the rental housing or mobile home park is located, the  
38 exemption will continue as long as the housing continues to meet~~

1 the certification requirements of a very low-income housing  
2 program administered by the department of community, trade, and  
3 economic development or the affordable housing levy under RCW  
4 84.52.105. However, if a dwelling unit or a lot becomes vacant and  
5 is subsequently re-rented, the income of the new household must be  
6 at or below fifty percent of the median income adjusted for family  
7 size as most recently determined by the federal department of  
8 housing and urban development for the county in which the rental  
9 housing or mobile home park is located to remain exempt from  
10 property tax.

11 (4) If at the time of initial application the property is  
12 unoccupied, or subsequent to the initial application the property  
13 is unoccupied because of renovations, and the property is not  
14 currently being used for the exempt purpose authorized by this  
15 section but will be used for the exempt purpose within two  
16 assessment years, the property shall be eligible for a property  
17 tax exemption for the assessment year in which the claim for  
18 exemption is submitted under the following conditions:

19 (a) A commitment for financing to acquire, construct, renovate,  
20 or otherwise convert the property to provide housing for very  
21 low-income households has been obtained, in whole or in part, by  
22 the nonprofit entity claiming the exemption from:

23 (i) A federal or state housing program administered by the  
24 department of community, trade, and economic development; or

25 (ii) An affordable housing levy authorized under RCW 84.52.105;

26 (b) The nonprofit entity has manifested its intent in writing  
27 to construct, remodel, or otherwise convert the property to  
28 housing for very low-income households; and

29 (c) Only the portion of property that will be used to provide  
30 housing or lots for very low-income households shall be exempt  
31 under this section.

32 ~~((4))~~ (5) To be exempt under this section, the property must  
33 be used exclusively for the purposes for which the exemption is  
34 granted, except as provided in RCW 84.36.805.

35 ~~((5))~~ (6) The nonprofit entity qualifying for ((the)) a  
36 property tax exemption under this section ((by providing rental  
37 housing for very low-income households)) may agree to make  
38 payments to the city, county, or other political subdivision for

1 improvements, services, and facilities furnished by the city,  
2 county, or political subdivision for the benefit of the rental  
3 housing. However, these payments shall not exceed the amount last  
4 levied as the annual tax of the city, county, or political  
5 subdivision upon the property prior to exemption.

6 ~~((6))~~ (7) As used in this section:

7 (a) "Group home" means a single-family dwelling financed, in  
8 whole or in part, by the department of community, trade, and  
9 economic development or by an affordable housing levy under RCW  
10 84.52.105. The residents of a group home shall not be considered to  
11 jointly constitute a household, but each resident shall be  
12 considered to be a separate household occupying a separate  
13 dwelling unit. The individual incomes of the residents shall not be  
14 aggregated for purposes of this exemption;

15 (b) "Mobile home lot" or "mobile home park" means the same as  
16 these terms are defined in RCW 59.20.030;

17 (c) "Occupied dwelling unit" means a living unit that is  
18 occupied by an individual or household as of December 31st of the  
19 first assessment year the rental housing becomes operational or is  
20 occupied by an individual or household on January 1st of ~~((the))~~  
21 each subsequent assessment year in which the claim for exemption  
22 is submitted. If the housing facility is comprised of three or  
23 fewer dwelling units and there are any unoccupied units on January  
24 1st, the department shall base the amount of the exemption upon  
25 the number of occupied dwelling units as of December 31st of the  
26 first assessment year the rental housing becomes operational and  
27 on May 1st of each subsequent assessment year in which the claim  
28 for exemption is submitted;

29 ~~((b))~~ (d) "Rental housing" means a residential housing  
30 facility or group home that is occupied but not owned by very low-  
31 income households;

32 ~~((e))~~ (e) "Very low-income household~~((s))~~" means a single  
33 person, family, or unrelated persons living together whose income  
34 is at or below fifty percent of the median income adjusted for  
35 family size as most recently determined by the federal department  
36 of housing and urban development for the county in which the  
37 rental housing is located and in effect as of January 1st of the  
38 year the application for exemption is submitted; and

1       (~~(d)~~) (f) "Nonprofit entity" means a:  
2       (i) Nonprofit as defined in RCW 84.36.800 (~~and includes a~~)  
3       that is exempt from income tax under section 501(c) of the federal  
4       internal revenue code;

5       (ii) Limited partnership where (~~the~~) a nonprofit (~~or~~) as  
6       defined in RCW 84.36.800 that is exempt from income tax under  
7       section 501(c) of the federal internal revenue code, a public  
8       corporation established under RCW 35.21.660, 35.21.670, (~~and~~) or  
9       35.21.730, a housing authority created under RCW 35.82.030 or  
10      35.82.300, or a housing authority meeting the definition in RCW  
11      35.82.210(2)(a) is a general partner(~~or~~)i or (~~a~~)

12      (iii) Limited liability company where (~~the~~) a nonprofit (~~or~~  
13      the)) as defined in RCW 84.36.800 that is exempt from income tax  
14      under section 501(c) of the federal internal revenue code, a  
15      public corporation established under RCW 35.21.660, 35.21.670, or  
16      35.21.730, a housing authority established under RCW 35.82.030 or  
17      35.82.300, or a housing authority meeting the definition in RCW  
18      35.82.210(2)(a) is a managing member.

19      **Sec. 2.** RCW 84.36.805 and 1999 c 203 s 2 and 1999 c 139 s 3 are  
20      each reenacted and amended to read as follows:

21      (1) In order to qualify for an exemption under this chapter and  
22      RCW 84.36.560, the nonprofit organizations, associations, or  
23      corporations must satisfy the conditions in this section.

24      (2) The property must be used exclusively for the actual  
25      operation of the activity for which exemption is granted, unless  
26      otherwise provided, and does not exceed an amount reasonably  
27      necessary for that purpose, except:

28      (a) The loan or rental of the property does not subject the  
29      property to tax if:

30      (i) The rents and donations received for the use of the portion  
31      of the property are reasonable and do not exceed the maintenance  
32      and operation expenses attributable to the portion of the property  
33      loaned or rented; and

34      (ii) Except for the exemptions under RCW 84.36.030(4) and  
35      84.36.037, the property would be exempt from tax if owned by the  
36      organization to which it is loaned or rented;

1 (b) The use of the property for fund-raising activities does  
2 not subject the property to tax if the fund-raising activities are  
3 consistent with the purposes for which the exemption is granted.

4 (3) The property must be irrevocably dedicated to the purpose  
5 for which exemption has been granted, and on the liquidation,  
6 dissolution, or abandonment by said organization, association, or  
7 corporation, said property will not inure directly or indirectly  
8 to the benefit of any shareholder or individual, except a  
9 nonprofit organization, association, or corporation which too  
10 would be entitled to property tax exemption. This property need not  
11 be irrevocably dedicated if it is leased or rented to those  
12 qualified for exemption under this chapter or RCW 84.36.560 for  
13 leased property, but only if under the terms of the lease or  
14 rental agreement the nonprofit organization, association, or  
15 corporation receives the benefit of the exemption.

16 (4) The facilities and services must be available to all  
17 regardless of race, color, national origin or ancestry.

18 (5) The organization, association, or corporation must be duly  
19 licensed or certified where such licensing or certification is  
20 required by law or regulation.

21 (6) Property sold to organizations, associations, or  
22 corporations with an option to be repurchased by the seller shall  
23 not qualify for exempt status. This subsection does not apply to  
24 property sold to a nonprofit entity, as defined in RCW  
25 84.36.560(7), by:

26 (a) A nonprofit as defined in RCW 84.36.800 that is exempt from  
27 income tax under section 501(c) of the federal internal revenue  
28 code;

29 (b) A governmental entity established under RCW 35.21.660,  
30 35.21.670, or 35.21.730;

31 (c) A housing authority created under RCW 35.82.030;

32 (d) A housing authority meeting the definition in RCW  
33 35.82.210(2)(a); or

34 (e) A housing authority established under RCW 35.82.300.

35 (7) The department shall have access to its books in order to  
36 determine whether the nonprofit organization, association, or  
37 corporation is exempt from taxes under this chapter and RCW  
38 84.36.560.

1           (8) This section does not apply to exemptions granted under RCW  
2 84.36.020, 84.36.032, 84.36.250, and 84.36.260.

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