

# FINAL BILL REPORT

## HB 1450

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Synopsis as Enacted

**Brief Description:** Modifying provisions that exempt housing for very low-income households from taxation.

**Sponsors:** By Representatives Sells, Strow, Miloscia, Curtis, O'Brien, B. Sullivan, Roberts, Lovick, Appleton, Kenney, Ormsby and Hasegawa.

**House Committee on Housing**

**House Committee on Finance**

**Senate Committee on Consumer Protection & Housing**

**Senate Committee on Ways & Means**

**Background:**

Low-Income Rental Housing Tax Exemption.

Property owned or used by a nonprofit entity to provide rental housing for very low-income households or used to provide space for the placement of a mobile home for a very-low income household within a mobile home park is exempt from property taxes if at least 75 percent of the units on the property are occupied by very low-income households and if the housing is financed or otherwise assisted by:

- a federal or state housing program administered by the Department of Community, Trade and Economic Development (DCTED); or
- a county, city, or town affordable housing levy.

Property Tax Valuation.

All real and personal property in Washington is subject to property tax each year based on its value, unless a specific exemption is provided by law. The State Constitution requires that property taxes be applied uniformly, and state law requires that the taxes be based on the "true and fair" value of the property for most classes of property. The "true and fair" value of property means the market value and is the amount of money a buyer of property willing but not obligated to buy would pay a seller of property willing but not obligated to sell, taking into consideration all uses to which the property is adapted and might in reason be applied. The requirement applies to both real and personal property.

Property assessments may not use methods that assume a land usage not permitted under land use planning. Appraisals must take into account various factors, including sale characteristics.

An exception to the requirement to value property uniformly was provided for farm and agricultural, timber, and open space lands through constitutional amendment in 1968. Property

tax applies to these types of real property based on the value of the property according to its "current" use. Current use valuation is based on the present use of the land.

**Summary:**

Low-Income Rental Housing Tax Exemption.

Rental properties for very low-income households owned or used by nonprofit entities are also exempt from property taxes if they have received financial assistance from:

- a federal program administered by a city or county government; or
- document recording fee surcharges imposed for the purpose of affordable housing development or to reduce homelessness.

Property Tax Valuation.

A property tax assessment may not consider a highest and best use for a property that is not permitted for that property under existing zoning or land use planning ordinances or statutes or other government restrictions.

For property assessments, consideration should be given to any agreement with a government agency that restricts rental income, appreciation, and liquidity, and to the impact of government restrictions on operating expenses and on ownership rights.

**Votes on Final Passage:**

House	89	7	
Senate	45	2	(Senate amended)
House	83	14	(House concurred)

**Effective:** July 22, 2007