

HOUSE BILL REPORT

HB 2843

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to supporting affordable housing.

Brief Description: Supporting affordable housing.

Sponsors: Representatives McBride, Stanford, Walkinshaw and Santos.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/1/16, 2/2/16 [DPS].

Brief Summary of Substitute Bill

- Allows cities to provide an exemption from city property tax for persons who make a contribution of equal value to a program that funds local subsidized housing or homeless housing.
- Caps the total tax exemption at a limit of 0.9 percent rate increase for the city property tax that would shift to non-exempt property taxpayers.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Ryu, Chair; Robinson, Vice Chair; Appleton and Sawyer.

Minority Report: Without recommendation. Signed by 3 members: Representatives Wilson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Hickel.

Staff: Sean Flynn (786-7124).

Background:

All real and personal property in the state is subject to a state property tax, unless specifically exempted under law. The state Constitution specifically exempts all government owned

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

property from taxation. The Legislature may create tax exemptions for other property as well.

The state Constitution requires all taxes to be applied uniformly on property within each taxing district. Property taxes are based on the assessed fair market value of the property. Regular property tax levies are limited to a maximum of 1 percent of a property's assessed value. This applies collectively to the total taxes levied by the state and local governments. The Legislature has established individual and aggregate limits for the various tax districts. The state levy takes precedence over all other levies.

Summary of Substitute Bill:

Any city may authorize a property tax exemption program to support funding for a subsidized housing program or homeless housing program. A taxpayer who makes a donation to a local subsidized housing program or homeless housing program may apply for an exemption from the city's portion of the property tax.

Eligible contributions must be deposited into a separate city account to be used specifically for subsidized housing or homeless housing. A subsidized housing program is a program established by the city to develop single or multifamily rental housing that does not exceed 30 percent of the monthly income for households with income at or below 80 percent of the area median income. A local homeless housing program is a program established by a city, or local housing entity, including a local housing authority, nonprofit organization, Indian tribe, or regional or statewide housing assistance organization.

The contribution must be at least 95 percent of the city's property tax to receive a tax exemption of equal value. The tax exemption program may only exempt property taxes to the extent that it would not exceed a tax shift of more than a 0.9 percent rate increase on all nonexempt property taxes. The contribution must be made in the same year that the tax exemption is approved.

Substitute Bill Compared to Original Bill:

The substitute bill creates a property tax exemption program, instead of a tax credit program, for the state business and occupation tax and the public utility tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Funding for affordable housing is decreasing as property values are rising. The housing problem is growing outside of the traditional urban areas and requiring local governments to address housing issues. Local options are important to continue to provide valuable resources. This property tax exemption mechanism can help to leverage private partnerships. The tax exemption will only affect the city's property taxes, not the state or county. The tax shift would be very small on non-exempt properties.

(Opposed) None.

(Other) There is some caution about scope of another local property tax shift as this bill would create.

Persons Testifying: (In support) Representative McBride, prime sponsor; Majken Ryherd, City of Kirkland; and Carl Schroeder, Association of Washington Cities.

(Other) Bill Clarke, Association of Washington Realtors.

Persons Signed In To Testify But Not Testifying: None.