Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Community Development, Housing & Tribal Affairs Committee

SSB 6211

Brief Description: Concerning the exemption of property taxes for nonprofit homeownership development.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Dammeier, Rolfes, Fraser, Conway, McCoy, O'Ban, Litzow, Fain, Rivers, Becker, Darneille, McAuliffe, Habib, Chase and Benton).

Brief Summary of Substitute Bill

- Creates a tax exemption for real property owned by a nonprofit entity for the purpose of developing residences on the property for sale to low-income households.
- Provides that the property tax exemption may last up to seven years, with a possible three-year extension, unless the property is sold within that time period.

Hearing Date: 2/22/16

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. All property taxes must be applied uniformly within each taxing district. Property taxes are based on the assessed fair market value of the property. The state Constitution specifically exempts all government owned property from taxation. The Legislature may create tax exemptions for other property as well.

The state has authorized property tax exemptions to certain nonprofit entities for various qualifying uses. In order to qualify, the entity must apply for the tax exemption with the Department of Revenue (Department). Applications must be renewed each year to requalify for the exemption. Annual renewals must include a report from the nonprofit organization showing

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all receipts and disbursements and certifying that all income is used to pay for the operation and maintenance of the organization.

Summary of Bill:

A tax exemption is created for real property owned by a nonprofit entity for the purpose of developing single-family residences to be sold to low-income households. The tax exemption apples to all state and local property taxes. A low-income household is a household with an income less than 80 percent of the county median family income.

The exemption may last for up to seven consecutive years so long as it is held for the development of low-income housing. The nonprofit entity may apply for a three-year extension if the property has not been sold within the initial seven-year period. The nonprofit must notify the Department upon occupancy of the property by a low-income household. The nonprofit entity does not need to report annually its receipts and disbursements with the Department or certify that its income is used only for operation and maintenance costs.

The property is disqualified from the tax exemption if it is not sold for low-income housing within the exemption period or if it is converted to another use. Upon disqualification, the unpaid taxes during the exemption period create a lien on the property. The county treasurer must collect the additional taxes, including interest, and distribute them to the taxing districts in the same manner as the current property tax distribution. The county auditor may not accept an instrument of conveyance of the property unless the additional taxes have been paid.

The Legislature intends the tax exemption to encourage low income housing development. In order to determine whether the tax exemption has met this intention, the Joint Legislative Audit and Review Committee (JLARC) must prepare a report on the implementation of the tax exemption. The report must compare the number of low-income housing units sold during the five-year period before the tax exemption applied against the number of low income housing units sold during the tax exempt period up to two years prior to the expiration of the exemption. The JLARC may refer to relevant data, including data contained in the Department of Commerce Housing Needs Assessment report and reports published of the Housing Finance Commission.

The tax exemption is scheduled to expire in 2026. The Legislature intends to extend the tax exemption if the JLARC report finds that the number of low income housing residences sold has increased during the tax exemption period.

Appropriation: None.

Fiscal Note: Available.

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