HOUSE BILL REPORT
SSB 6211

As Passed House - Amended:
March 3, 2016

Title: An act relating to the exemption of property taxes for nonprofit homeownership development.

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 History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/22/16, 2/23/16 [DP];
Finance: 2/29/16 [DPA].

Floor Activity:

Passed House - Amended: 3/3/16, 83-14.

Brief Summary of Substitute Bill
(As Amended by House)

- 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.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Ryu, Chair; Robinson, Vice Chair; Wilson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Appleton, Hickel and Sawyer.

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.

Staff: Sean Flynn (786-7124).

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 13 members: Representatives Lytton, Chair; Robinson, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Frame, Manweller, Pollet, Reykdal, Ryu, Springer, Stokesbary, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta and Vick.

Staff: Sarah Emmans (786-7288).

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

Summary of Amended 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 applies 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 entity 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 by 2024 on the implementation of the tax exemption. The report must evaluate the growth in revenue dedicated to affordable housing development for each nonprofit entity during the period of the tax exemption, as well as the annual change in total number of parcels qualifying for the exemption and the total number of parcels that have become owner-occupied. The JLARC may refer to applications approved by the Department, the owner occupancy notices reported to the Department, the annual financial statements for nonprofit entities claiming a tax exemption, and other data necessary for the evaluation of the tax exemption.

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

Staff Summary of Public Testimony (Community Development, Housing & Tribal Affairs):

(In support) This bill allows nonprofits to take a temporary tax exemption while it develops property for affordable housing purposes. The tax savings can be used to reinvest in the development of affordable housing. It will not have a significant impact on state or local taxes.

(Opposed) None.

Staff Summary of Public Testimony (Finance):

(In support) Habitat for Humanity is the largest home-builder producing housing for low-income homeownership in the nation. The organization provides low-income families with a hand-up, not a handout, by working side-by-side with families to build homes. One of the biggest challenges to the development of housing is the development of the land itself: raising the money, building infrastructure, etc. Many years of work are required in a neighborhood before a home is built, but once the home is built and the family is in, the job is done. This is all most people see. During the development stage, this bill would temporarily exempt the property tax to allow organizations to build homes and get people in the homes at a faster pace. The bill has very tight parameters and tight controls. The exemption lasts only for a certain time period. If the bill does not achieve its goals, all taxes are refunded.

(Opposed) None.

Persons Testifying (Community Development, Housing & Tribal Affairs): Senator Dammeier, prime sponsor; and Darrel Daugs, Habitat for Humanity of Washington State.

Persons Testifying (Finance): Daryl Daugs, Habitat for Humanity of Washington State.

Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs): None.

Persons Signed In To Testify But Not Testifying (Finance): None.