

# HOUSE BILL REPORT

## 2SHB 1532

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**As Passed House:**  
February 1, 2018

**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:** House Committee on Finance (originally sponsored by Representatives Lytton and Hayes).

**Brief History:**

**Committee Activity:**

Finance: 1/31/17, 2/14/17 [DPS], 1/12/18, 1/19/18 [DP2S].

**Floor Activity:**

Passed House: 3/7/17, 79-18.

**Floor Activity:**

Passed House: 2/1/18, 89-5.

**Brief Summary of Second Substitute Bill**

- Clarifies the property tax exemption for nonprofit homeownership development by specifying that land that is to be leased for 99 years or life to a low-income household qualifies for the exemption.
- Specifies that the lease of the exempted land to a low-income household terminates the property tax exemption.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 8 members: Representatives Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary and Wylie.

**Minority Report:** Do not pass. Signed by 1 member: Representative Condotta.

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*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:** Rachelle Harris (786-7137).

**Background:**

Property Tax.

All property in Washington State is subject to property tax each year that is based on the highest and best use of the property, unless a specific exemption is provided by law. Property tax exemptions are currently made available to qualifying organizations, including schools, churches, nonprofit hospitals, nursing homes, museums, and public meeting halls.

Property Tax Exemption for Low-Income Housing Development.

Property that is owned by a nonprofit for the purposes of developing residences on the property for low-income households is exempt from state and local property taxes for a limited term. So long as the property remains held for the purpose of low-income housing development, the exemption lasts for seven consecutive tax years or until the nonprofit transfers title to the property. Should the nonprofit anticipate that it will be unable to sell the property within the seven-year term, the nonprofit may file for a three-year extension by filing a notice of extension with the Department of Revenue and paying a filing fee.

The property is disqualified from the exemption if:

1. the nonprofit fails to transfer title to the property to a low-income household within the applicable exemption period; or
2. the property is converted to a use other than low-income housing development.

In this case, an additional tax is due that is equal to all taxes that would have been due within the applicable exemption period, plus interest. This additional tax is considered a lien on the property.

**Summary of Second Substitute Bill:**

The exemption for real property owned by a nonprofit for the purposes of developing residences for low-income households is clarified to specify that the land upon which a dwelling unit stands, when it is to be leased for life or 99 years to the low-income household, qualifies for the exemption. An additional term is added to the exemption's expiration conditions such that the exemption expires when the nonprofit entity leases the land on which the dwelling unit stands to the low-income household, if the lease is executed earlier than any of the other relevant conditions.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill aims to clarify legislation passed in 2016. This exemption is for when an organization like Habitat for Humanity is building a home for a low-income family, and

the exemption ends when transfer of title occurs. The Department of Revenue determined that community land trusts were not included in the exemption. Under the land trust model, we buy land and then build or restore homes to sell them to low-income households. The land remains in trust with the land trust using a long-term lease. This means that the trust can make sure the land gets transferred in the future if the family moves. The model allows the household to accrue equity and return on the investment. The model also ensures perpetual affordability as well as wraparound services and guidance for the families while they are in the home. There are 16 community land trusts in Washington, all across the state. Habitat for Humanity supports this bill as well.

(Opposed) None.

**Persons Testifying:** Representative Lytton, prime sponsor; Jessie Turner, Northwest Community Land Trust Coalition; and Jodi Monroe, Home Trust of Skagit.

**Persons Signed In To Testify But Not Testifying:** None.