FINAL BILL REPORT
ESHB 1107

C 361 L 19
Synopsis as Enacted

Brief Description: Concerning nonprofit homeownership development.

Sponsors: House Committee on Finance (originally sponsored by Representatives Slatter, Ryu, Macri, Wylie, Bergquist and Santos).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Property Tax.
All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. There are numerous exemptions from property tax established either by statute or constitutionally. The largest exemption is for intangible property. Other exemptions include churches, nonprofit hospitals, private schools and colleges, agricultural products, and affordable housing.

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. As 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 (DOR) 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.

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.

The DOR may not accept applications for the exemption after December 31, 2027. The exemption may not be applied to taxes due in 2037 and thereafter.

Summary:

The property tax exemption for real property owned by a nonprofit entity for the purpose of developing real property to be sold to low-income households is amended to include real property owned and developed by a qualified cooperative association. Real property intended to be sold to a separate nonprofit also qualifies for the state and local property tax exemption.

The exemption does not expire when the nonprofit owner transfers the property to another nonprofit or qualified cooperative association. However, a successor nonprofit must reapply to the DOR to maintain the exemption after the transfer of exempted real property.

A qualified cooperative association must be a cooperative association organized under chapter 23.86 or 24.06 RCW that owns the real property for which an exemption is sought and following the completion of the development or redevelopment of the exempted real property at least 60 percent of the residences are owned by low-income households, and 80 percent or more of the square footage of any improvements to the real property are exclusively used or available for use by the owners of the residences. A notice of compliance with these statutory requirements must be filed with the DOR within one year.

The property exemption applies to taxes levied for collection beginning in 2020.

The tax preference performance statement for the underlying property tax exemption is amended to include the inclusion of qualified cooperative associations. The expanded exemption will expire January 1, 2038, which is the current expiration for the tax exemption.

Votes on Final Passage:

House	85	9
Senate	44	4

Effective: July 28, 2019