

# HOUSE BILL REPORT

## 2SSB 6231

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As of Second Reading

**Title:** An act relating to expanding and studying the property tax exemption for physical improvements to single-family dwellings.

**Brief Description:** Expanding and studying the property tax exemption for physical improvements to single-family dwellings.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kuderer, Darneille, Dhingra, Hunt, Mullet and Wilson, C.).

**Brief History:**

**Committee Activity:**

None.

**Brief Summary of Second Substitute Bill**

- Exempts the value of constructing an accessory dwelling unit from property taxes for three years.
- Requires the Department of Revenue to evaluate the home improvement property tax exemption and provide a report to the appropriate legislative committees by November 15, 2020.

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**Staff:** Nick Tucker (786-7383).

**Background:**

Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Examples of property tax exemptions established either by statute or constitutionally include exemptions for churches, nonprofit hospitals, affordable housing, and certain improvements to single family residences. If a single family residence is improved by remodeling, adding new rooms, decks, patios, or other improvements, a person may apply for a three-year exemption from property taxes on the value of the physical improvement. Physical improvements do not include normal

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maintenance items, and the value of the improvements must be 30 percent or less of the value of the original structure. The exemption may not be claimed more than once in a five-year period.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

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**Summary of Bill:**

The value of constructing an accessory dwelling unit (ADU) is exempt from property tax for three assessment years after completion of the improvements. The ADU may be either attached to or within a single-family dwelling, or as a detached unit on the same real property to qualify for the exemption. The bill applies for taxes levied for collection in 2021 and thereafter.

The Department of Revenue must work with county assessors to evaluate the home improvement property tax exemption and report their findings to the Legislature by November 15, 2020. The review must include an analysis of the types of properties and the value of exempt improvements by geographic area.

The bill is exempt from TPPS requirements and the 10-year expiration.

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**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) None.

(Opposed) None.

**Persons Testifying:** None.

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