

SENATE BILL REPORT

SB 6231

As Reported by Senate Committee On:
Housing Stability & Affordability, January 27, 2020
Ways & Means, March 2, 2020

Title: An act relating to providing a limited property tax exemption for the construction of accessory dwelling units.

Brief Description: Providing a limited property tax exemption for the construction of accessory dwelling units. [**Revised for 2nd Substitute:** Expanding and studying the property tax exemption for physical improvements to single-family dwellings.]

Sponsors: Senators Kuderer, Darneille, Dhingra, Hunt, Mullet and Wilson, C.

Brief History:

Committee Activity: Housing Stability & Affordability: 1/15/20, 1/27/20 [DPS-WM].
Ways & Means: 2/20/20, 3/02/20 [DP2S, DNP].

Brief Summary of Second Substitute Bill

- Extends the property tax exemption for improvements to single-family dwellings to include the construction of accessory dwelling units.
- Requires the Department of Revenue to evaluate the home improvement exemption with a report due at the end of 2020.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: That Substitute Senate Bill No. 6231 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Darneille, Saldaña and Warnick.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6231 be substituted therefor, and the second substitute bill do pass.

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.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Muzzall, Pedersen, Rivers, Schoesler, Van De Wege, Warnick and Wilson, L..

Minority Report: Do not pass.

Signed by Senator Wagoner.

Staff: Jeffrey Mitchell (786-7438)

Background: 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 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.

Summary of Bill (Second Substitute): The existing property tax exemption for any improvements to a single-family dwelling is expanded to include the construction of accessory dwelling units (ADUs). The ADU may be either attached to or within the single-family dwelling or a detached unit on the same real property to qualify for the exemption. The Department of Revenue must work with county assessors to evaluate the home improvement 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 to develop a better understanding of the exemption.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):

- Restores language in original bill.
- Requires DOR to evaluate the home improvement exemption with a report due at the end of 2020.

EFFECT OF CHANGES MADE BY HOUSING STABILITY & AFFORDABILITY COMMITTEE (First Substitute):

- Limits the property tax exemption for improvements to single-family dwellings to only include the construction of accessory dwelling units.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Housing Stability & Affordability): *The committee recommended a different version of the bill than what was heard.* PRO: Homeowners currently may exempt the value of improvements to their residences from property tax for three years, and this bill adds the construction of accessory dwelling units, or ADUs, as an incentive for property owners. ADUs provide flexibility for homeowners to provide additional living space for multi-generational families, seniors to age in place, to increase urban density, or to generate additional income. The state needs to create more affordable housing, and this incentive can help develop the missing middle in the housing market.

Persons Testifying (Housing Stability & Affordability): PRO: Senator Patty Kuderer, Prime Sponsor; Kelli Curtis, City of Kirkland.

Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: The Legislature and cities share the responsibility of creating more affordable and workforce housing. This bill is a way to create more dwelling units for our senior citizens, teachers, fire fighters, and police officers. This bill creates an incentive to build more housing. Adding a home within a home is smart growth that fits within the existing fabric of our communities.

Persons Testifying (Ways & Means): PRO: Penny Sweet, Mayor, City of Kirkland.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.