

# HOUSE BILL REPORT

## HB 1175

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to providing a property tax exemption for real property used as a host home associated with a host home program.

**Brief Description:** Providing a property tax exemption for real property used as a host home associated with a host home program.

**Sponsors:** Representatives Johnson, J., Caldier, Callan, Young, Griffey, Sutherland, Harris-Talley, Ormsby and Fitzgibbon.

**Brief History:**

**Committee Activity:**

Finance: 1/11/22, 2/4/22 [DPS].

**Brief Summary of Substitute Bill**

- Provides a property tax exemption for real property used as a host home for at least 90 days during the previous tax year.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai, Wylie and Young.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Vick.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Stokesbary.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Tracey Taylor (786-7152).

**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. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Host Homes.

During the 2016 regular legislative session, the Washington Legislature passed Substitute House Bill 2440, which exempted host home programs that serve youth from licensing requirements, including for foster care. Host home programs match young people under age 18 who are experiencing homelessness, housing instability, or family crisis, with a community member who is willing to provide housing and other support to the young person. The nonprofit organizations that oversee host home programs provide case management and other supportive services to the youth and the host home/host family.

Tax Preferences.

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 Substitute Bill:**

An exemption from property tax is authorized for real property used for at least 90 days as a host home during the previous tax year.

A claim for the exemption must be made by the owner of the host home for taxes due and payable for the following year. The application must require sufficient evidence to support the owner's eligibility claim. The application must be submitted to the county assessor no later than December 31 of the year prior to the tax year for which the tax is payable. The county assessor must review the exemption claim and approve any application that meets the 90-day minimum. Any denial of the exemption claim may be appealed. Late claims for exemptions made within three years of the due date for payment of the taxes for which an exemption is sought must be granted.

An exemption is valid for one year and must be annually renewed.

The legislation does not include a TPPS; however, there is an intent section that states the Legislature intends to provide a tax incentive to private homeowners to host a homeless youth, unaccompanied minor, and systems-impacted young adults to provide safe, transitional placement options to vulnerable young people.

### **Substitute Bill Compared to Original Bill:**

The substitute bill amends the "host home" program statutes to clarify the definition of a "private home" as a single-family dwelling. In addition, the substitute bill clarifies that the exemption only applies to the state portion of the property tax and can only be claimed for taxes levied for collection beginning in 2024. Finally, the substitute bill adds an intent section and provides an effective date of January 1, 2023.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 4, 2022.

**Effective Date of Substitute Bill:** The bill takes effect on January 1, 2023.

**Staff Summary of Public Testimony:**

(In support) For youth experiencing homelessness, it is important for them to maintain their connections to their community. This is especially true for LGBTQ+ youth who are more likely to be excluded from shelters. A property tax exemption for persons opening their homes to homeless youth would increase the availability of safe, appropriate, and culturally diverse options for transitional housing. Moreover, this will help address the true needs of the youth and not exacerbate the trauma. While other more formal options for housing receive compensation, host homes do not receive any compensation. This is a small step to increasing the placement options for our homeless youth, unaccompanied minors, and systems-impacted young adults.

(Opposed) None.

**Persons Testifying:** Representative Jesse Johnson, prime sponsor; Chelsea Smith Nicole; Luckisha Phillips; Lyn Idahosa; Samuel Martin, A Way Home Washington; Julie Patiño; and Sai Samineni.

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