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## Finance Committee

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### HB 1789

**Brief Description:** Establishing a property tax exemption for adult family homes serving people with intellectual or developmental disabilities and owned by a nonprofit.

**Sponsors:** Representatives Ramos, Goehner, Callan, Johnson, J., Senn, Ryu, Chambers, Springer, Eslick, Fey, Goodman, Robertson, Jacobsen, Peterson, Ramel, Rule, Santos, Shewmake, Wylie, Simmons, Slatter, Tharinger, Valdez, Pollet, Graham, Young and Kloba.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a property tax exemption for property owned by a nonprofit that is used exclusively as an adult family home for individuals with intellectual or developmental disabilities.</li></ul>
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**Hearing Date:** 1/17/22

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

**Background:**

Property Tax - Regular Levies.

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 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

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applies to both levies.

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.

#### Property Tax Exemptions for Nonprofits.

Limited property tax exemptions are available to qualifying nonprofit organizations that conduct activities specifically identified as exempt. Not all nonprofits have a purpose or activity that guarantees them to a property tax exemption. In general, nonprofit organizations must own and use their property for a specifically exempted activity to qualify, and must apply annually for the exemption.

#### 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. 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 (JLARC) 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.

#### Adult Family Homes.

Adult family homes are community-based facilities licensed to care for individuals who need long-term care. These homes provide room, board, laundry, necessary supervision, and assistance with activities of daily living, personal care, and nursing services. Adult family homes are licensed by the Department of Social and Health Services and must meet facility standards as well as training requirements for resident managers and caregivers.

#### **Summary of Bill:**

A property tax exemption is provided for the real and personal property owned by a nonprofit if the property is used exclusively as an adult family home to serve people with an intellectual or developmental disability. The bill applies to taxes levied for collection in 2021 and thereafter, including retroactively for any taxpayer who has been assessed taxes by the Department of Revenue prior to the effective date of the bill.

The bill is exempt from TPPS and JLARC review requirements and does not expire.

**Appropriation:** None.

**Fiscal Note:** Requested on January 11, 2022.

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