

# HOUSE BILL REPORT

## HB 1789

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### As Reported by House Committee On:

Finance

**Title:** An act relating to establishing a property tax exemption for adult family homes that serve people with intellectual or developmental disabilities and are owned by a nonprofit.

**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.

### Brief History:

#### Committee Activity:

Finance: 1/17/22, 1/25/22 [DPS].

#### Brief Summary of Substitute Bill

- Modifies the property tax exemption for property owned by a nonprofit used as an adult family home for the developmentally disabled to ensure that the exemption may be claimed whether the services are provided by a nonprofit or another licensed provider.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dufault, Assistant Ranking Minority Member.

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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:** 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 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.

All real and personal property owned or leased by a nonprofit organization to provide housing for eligible persons with developmental disabilities is exempt from property taxation. The property must be used exclusively for the actual operation of an adult family home.

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**Summary of Substitute Bill:**

The existing property tax exemption for property owned by a nonprofit that is used as an adult family home for the developmentally disabled is modified to ensure that the exemption may be claimed whether the adult family home services are provided directly by a nonprofit or another provider that is licensed to operate an adult family home.

The bill applies to taxes levied for collection in 2021 and thereafter, including retroactively for any taxpayer who has been assessed taxes prior to the effective date of the bill.

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

**Substitute Bill Compared to Original Bill:**

The substitute modifies an existing tax exemption rather than creating a new exemption.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill is aiming to help a nonprofit that owns property to provide adult family home services, but has contracts with providers in order to give the services that are needed. A new home was developed and sought the previously granted exemption, but the Department of Revenue has changed its interpretation of the exemption. It should be made clear that a separate service provider is being paid, but the home is still owned and operated by a nonprofit. Adult family homes are a model for success with partnering with nonprofits. The licensing process was designed for single families, which in some cases disincentivizes nonprofits from participating. There will be work done to improve the language in this bill. Adult family homes are critical for older individuals with disabilities. Life Enrichment Options was created to serve people with intellectual and developmental

disabilities. There is a very high need for this type of facility and the need will only grow. The property tax burden can slow the development of adult family homes and might threaten the operation of some current providers. Housing for adults with intellectual and developmental disabilities is very hard to find, and this service should definitely be kept in place. The state is currently serving a mere fraction of the people who need assistance.

(Opposed) None.

**Persons Testifying:** Representative Bill Ramos, prime sponsor; John Ficker, Adult Family Home Council; Leo Finnegan, Life Enrichment Options; Diana Stadden, The Arc of Washington State; and Adrienne Stuart, Washington State Developmental Disabilities Council.

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