Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1841

Brief Description: Incentivizing rental of accessory dwelling units to low-income households.

Sponsors: Representatives Walen, Springer, Goodman, Shewmake, Wylie, Slatter, Duerr, Riccelli and Ormsby.

Brief Summary of Bill

- Provides a property tax exemption for an accessory dwelling unit for as long as it is rented to a low-income household.

Hearing Date: 1/20/22

Staff: Rachelle Harris (786-7137).

Background:

All real and personal property is subject to a tax each year based on its highest and best use, unless a specific exemption is provided by law.

Some property tax exemptions have been established via the Constitution or statute, including exemptions for churches, non-profit 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, the owner may apply for a three-year exemption from property taxes on the value of the physical improvement. To qualify for the exemption, 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. New construction of an accessory dwelling unit (ADU) qualifies as a physical improvement for this three-year exemption.

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.

Summary of Bill:

An ADU is exempt from property tax for as long as it is rented to a low-income household. A low-income household means a single person, family, or unrelated persons living together whose adjusted income is at or below 80 percent of the median household income for household size in the county.

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

Appropriation: None.

Fiscal Note: Available.

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