HOUSE BILL REPORT
HB 1841

As Reported by House Committee On:
Finance

Title: An act relating to incentivizing rental of accessory dwelling units to low-income households.

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 History:
Committee Activity:
Finance: 1/20/22, 2/3/22 [DPS].

Brief Summary of Substitute Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai, Wylie and Young.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

Minority Report: Without recommendation. Signed by 3 members: Representatives Chase, Stokesbary and Vick.

Staff: Rachelle Harris (786-7137).

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.

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 Washington Constitution or statute, including 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, 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 Substitute 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 60 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.

Substitute Bill Compared to Original Bill:

The substitute bill changes the qualifying income level for a low-income household from 80 percent of median household income to 60 percent.

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) Substantially more housing is needed for folks who need affordable housing in our communities. The cost of land and construction is increasingly expensive, and this bill offers another tool to help provide affordable housing options. This bill incentivizes homeowners to provide housing for low-income rentals. One possible change would be to add a rental cap in addition to the income requirement.

(Opposed) Accessory dwelling units are great, but because there is no way to track different types of construction, this bill will be difficult or impossible to implement. Assessors do not have the capacity to verify income and rental amounts. Cities and counties have more direct ability to encourage the right kind of incentives for affordable housing.

Persons Testifying: (In support) Representative Amy Walen, prime sponsor; and Jay Arnold, City of Kirkland.

(Opposed) Steven Drew, Washington Association of Assessors.

Persons Signed In To Testify But Not Testifying: None.