

# SENATE BILL REPORT

## SHB 1789

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As of February 22, 2022

**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 that serve people with intellectual or developmental disabilities and are owned by a nonprofit.

**Sponsors:** House Committee on Finance (originally sponsored by 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:** Passed House: 2/2/22, 95-1.

**Committee Activity:** Ways & Means: 2/22/22.

### Brief Summary of Bill

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The Washington Constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Excess levies are not subject to this constitutional limit and require voter approval. There are statutory rate maximums for individual taxing districts and aggregate rate maximums to keep the total tax rate of regular property taxes within the

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constitutional limit.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017, the Legislature created a second state levy. For taxes levied for collection in calendar years 2018, 2020, and 2021, the combined rate for both state levies is \$2.70 per \$1,000 of assessed value. For taxes levied for collection in calendar year 2019, the combined rate for both state levies is \$2.40 per \$1,000 assessed value. The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies and the rate is calculated based on the total levy amount.

All regular levies, except the state levies, are subject to a statutory revenue growth limit. If the taxing authority has a population of 10,000 or more, the revenue growth limit is the lesser of inflation or 1 percent plus the valuation of new construction. If the taxing authority has a population of less than 10,000, the revenue growth limit is 1 percent plus the value of new construction.

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.

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.

Tax Preference Performance Statement. State law provides 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. Washington has over 700 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 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 ten years unless an alternative expiration date is provided.

**Summary of Bill:** The existing property tax exemption for property owned by a nonprofit that is used as an adult family home for persons with a developmental disability 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 tax preference performance review requirements and does not expire.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: There is a critical need for housing options for adults with disabilities. Adult family homes are most successful when they partner with nonprofit organizations. Washington's affordable housing crisis has been particularly hard on adult family homes. The shortage of adult family homes means that adults with disabilities must either live at home with their parents, who may be older and have a challenging time caring for their child, or possibly join the homeless community. Supporting adult family homes creates a lifelong, safe, and stable housing option for adults with disabilities, that allows them to live in the communities they grew up in.

**Persons Testifying:** PRO: John Ficker, Adult Family Home Council; John Smiley, Community Homes; Leo Finnegan, Life Enrichment Options.

**Persons Signed In To Testify But Not Testifying:** No one.