

SENATE BILL REPORT

ESHB 1841

As of February 26, 2022

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: House Committee on Finance (originally sponsored by Representatives Walen, Springer, Goodman, Shewmake, Wylie, Slatter, Duerr, Riccelli and Ormsby).

Brief History: Passed House: 2/12/22, 66-31.

Committee Activity: Housing & Local Government: 2/22/22, 2/24/22 [DP-WM, w/oRec].
Ways & Means: 2/26/22.

Brief Summary of Bill

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

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Cleveland, Lovelett, Salomon, Trudeau and Wilson, J.

Minority Report: That it be referred without recommendation.

Signed by Senators Sefzik and Warnick.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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. Examples of property tax exemptions include 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 ten years unless an alternative expiration date is provided.

Summary of Bill: A county may choose to exempt an ADU from property tax if the ADU is maintained as a rental property for low-income households. A low income household means a household whose adjusted income is at or below 60 percent of median household income for the county. Rent charged to a tenant may not exceed more than 30 percent of the tenant's monthly income. The taxpayer must file notice of intention to participate in the program and the exemption can continue for as long as the ADU is leased to a low-income household.

If a county has opted to exempt low-income rental ADUs, they may collect a fee from the taxpayer, and may designate agents to verify the income standards for the exemption.

A TPPS identifies the exemption as one intended to encourage homeowners to rent ADUs to low-income households. The exemption applies to taxes levied for collection in 2023 and thereafter, and expires January 1, 2033.

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 (Housing & Local Government): PRO: The bill provides an exemption from property tax for ADUs if the unit is rented to a family at or below 60 percent of median household income and the rent does not exceed 30 percent of the household's monthly income. The exemption qualifies if the ADU is attached or

detached. A nonprofit or housing authority would perform rent verification for the county, and a county is allowed to seek cost-recovery fees for the costs of the program. With the increasing costs of land, this provides another tool to provide affordable housing.

Persons Testifying (Housing & Local Government): PRO: Penny Sweet, Mayor, City of Kirkland.

Persons Signed In To Testify But Not Testifying (Housing & Local Government): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill gives counties the option to provide a property tax exemption for attached or detached ADUs that are rented to low income tenants. Unlike similar legislation introduced this session, this bill does not remove the existing remodel property tax exemption and also includes a tax preference performance statement. The goal is to provide housing for everyone. Homes have become so expensive and there is a particular need for low income housing.

Persons Testifying (Ways & Means): PRO: Penny Sweet, Mayor, City of Kirkland.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.