Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1265

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: Representatives Ramos, Goehner, Chapman, Robertson, Kloba, Chambers, Slatter, Callan, Donaghy, Ryu, Reeves, Chopp, Senn, Reed, Couture, Simmons, Fey, Jacobsen, Macri, Peterson, Ramel and Pollet.

Brief Summary of 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.

Hearing Date: 1/24/23

Staff: Rachelle Harris (253-444-316).

Background:

<u>Property Tax—Regular Levies</u>.
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 generally limited to the lesser of inflation or 1 percent plus the value of new construction, state-assessed property, and other specified add-ons.

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

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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 for an exemption 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 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.

Summary of 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 2024 and thereafter.

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

Appropriation: None.

Fiscal Note: Requested on January 17, 2023.

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