

# HOUSE BILL REPORT

## HB 1265

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**As Passed House:**

March 6, 2023

**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:** 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 History:**

**Committee Activity:**

Finance: 1/24/23, 2/2/23 [DP].

**Floor Activity:**

Passed House: 3/6/23, 95-0.

**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.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

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

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*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:**

### Property Tax—Regular Levies.

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 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 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:** Available.

**Effective Date:** The bill contains multiple effective dates. Please see the bill.

**Staff Summary of Public Testimony:**

(In support) Housing for individuals with intellectual and developmental disabilities is scarce, and clients are often very low income. Live-in caregivers provide consistency for residents. The reason residential operation for care is affordable is because of the tax exemption, and this bill ensures that the model will continue to be viable. Accessible and affordable housing is hard to find, especially when services are needed too. There are very long waiting lists for people with intellectual and developmental disabilities who need housing. Adult family homes are a great nonprofit solution to provide these housing and service needs. The burden of property tax is too big. For-profit businesses choose not to participate in operating these homes and providing services because it is difficult to make a profit, so support for the nonprofit sector is important.

(Opposed) None.

**Persons Testifying:** Representative Bill Ramos, prime sponsor; Cathy Murahashi, Community Homes; Diana Stadden, The Arc of Washington State; Mike Ernst, Life Enrichment Options Organization; Leo Finnegan; and John Smiley.

**Persons Signed In To Testify But Not Testifying:** None.