

SENATE BILL REPORT

SB 6030

As of January 25, 2024

Title: An act relating to amending the county population threshold for counties that may exempt from taxation the value of accessory dwelling units to incentivize rental to low-income households.

Brief Description: Amending the county population threshold for counties that may exempt from taxation the value of accessory dwelling units to incentivize rental to low-income households.

Sponsors: Senators Braun, Kuderer, Lias, Mullet, Wellman and Wilson, J..

Brief History:

Committee Activity: Housing: 1/12/24, 1/17/24 [DP-WM].
Ways & Means: 1/25/24.

Brief Summary of Bill

- Allows all counties to provide a property tax exemption for an accessory dwelling unit if certain conditions are met.

SENATE COMMITTEE ON HOUSING

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

Signed by Senators Kuderer, Chair; Frame, Vice Chair; Fortunato, Ranking Member; Braun, Cleveland, Gildon, Rivers, Saldaña, Shewmake, Trudeau and Wilson, J..

Staff: Melissa Van Gorkom (786-7491)

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 in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law.

In 2023 the Legislature authorized a county legislative authority for a county with a population of 1.5 million or more to exempt an accessory dwelling unit (ADU) from property tax if all the following conditions are met:

- the ADU is maintained as a rental property for low-income households whose adjusted income is at or below 60 percent of the median household income for the county;
- rent charged to a tenant does not exceed 30 percent of the tenant's monthly income;
- the ADU is not occupied by a person under the age of 60 who is an immediate family member of the taxpayer;
- the taxpayer files notice of intent to participate in the exemption program using forms prescribed by the county assessor; and
- improvement represents 30 percent or less of the value of the original structure.

A Tax Preference Performance Statement specifies the exemption is intended to encourage homeowners to rent ADUs to low-income households and increase the overall availability of affordable housing. The Joint Legislative Audit and Review Committee must review the tax preference and complete a final report by December 1, 2029, that includes:

- the costs and benefits associated with exempting from taxation the value of an ADU;
- an evaluation of the inventory analysis of existing and projected housing needs completed by the Department of Commerce;
- a summary of the estimated total statewide costs and benefits attributed to exempting from taxation the value of an ADU; and
- an evaluation of the impacts of the program on low-income households.

The exemption can continue for as long as the ADU is leased to a low-income household and applies to taxes levied for collection in 2024 and thereafter. The exemption expires January 1, 2034.

Summary of Bill: The restriction for the ADU property tax exemption to apply to a county with a population of 1.5 million or more is removed, allowing any county legislative authority to choose to exempt an ADU from property tax if the ADU meets the necessary conditions.

The Tax Preference Performance Statement and Joint Legislative Audit and Review Committee review are updated to include this legislation. If the review finds a county offers this exemption and the exemption increases the amount of ADUs rented to low-income households, then the Legislature intends to extend the expiration. The exemption applies to taxes levied for collection in 2025 and thereafter, and expires January 1, 2034.

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): PRO: This follows on a bill that we did recently to provide one more option to address our housing issue. We know that the housing issues are not just in large counties, it is across the state so adding an additional way for counties to help encourage the development and maintenance of rural ADUs to address the housing problem will help. It's not a big part of the solution but it is part of the solution.

Persons Testifying (Housing): PRO: Senator John Braun, Prime Sponsor.

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

Staff Summary of Public Testimony (Ways & Means): PRO: The property tax exemption for ADUs was originally created last session for King County. The housing crisis has caused people to move from urban to rural areas. The bill is not a fix-all but does help create more low-income housing options in rural parts of the state.

Persons Testifying (Ways & Means): PRO: Senator John Braun, Prime Sponsor.

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