

SENATE BILL REPORT

SB 5529

As of January 30, 2025

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: Senator Gildon.

Brief History:

Committee Activity: Ways & Means: 2/04/25.

Brief Summary of Bill

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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;

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.

- 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 2026 and thereafter, and expires January 1, 2034.

Appropriation: None.

Fiscal Note: Requested on January 27, 2025.

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

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