

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 1643**

67th Legislature  
2022 Regular Session

Passed by the House March 8, 2022  
Yeas 97 Nays 1

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**Speaker of the House of  
Representatives**

Passed by the Senate March 4, 2022  
Yeas 47 Nays 1

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1643** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE HOUSE BILL 1643**

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AS AMENDED BY THE SENATE

Passed Legislature - 2022 Regular Session

**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** House Finance (originally sponsored by Representatives Hackney, Stokesbary, Bateman, Ryu, Simmons, Leavitt, Robertson, Walen, Valdez, Paul, Callan, Gilday, Macri, Peterson, Ramos, Chopp, Bergquist, and Kloba)

READ FIRST TIME 02/03/22.

1       AN ACT Relating to exempting a sale or transfer of real property  
2 for affordable housing to a nonprofit entity, housing authority,  
3 public corporation, county, or municipal corporation from the real  
4 estate excise tax; amending RCW 82.45.010; reenacting and amending  
5 RCW 82.45.010; creating new sections; providing effective dates; and  
6 providing an expiration date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8       NEW SECTION.   **Sec. 1.** (1) The legislature finds that Washington  
9 state has one of the strongest economies in the country. However,  
10 despite the strong economy, our state has entered an affordable  
11 housing crisis where low-income and middle-income households have the  
12 fewest number of housing options. Furthermore, it is estimated that  
13 Washington state's housing gap is among the most severe in the  
14 nation, with only 29 affordable and available rental homes for every  
15 100 extremely low-income households.

16       (2) The legislature concludes that in the spirit of one  
17 Washington, the health of all Washingtonians will benefit from a  
18 larger stock in affordable housing. Therefore, it is the intent of  
19 the legislature to incentivize real property transfers to nonprofit  
20 housing providers, public housing authorities, or local governments

1 to increase the availability of affordable housing for low-income  
2 Washingtonians.

3 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
4 performance statement for the tax preferences in sections 3 and 4,  
5 chapter . . ., Laws of 2022 (sections 3 and 4 of this act). This  
6 performance statement is only intended to be used for subsequent  
7 evaluation of the tax preferences. It is not intended to create a  
8 private right of action by any party or be used to determine  
9 eligibility for preferential tax treatment.

10 (2) The legislature categorizes this tax preference as one  
11 intended to induce certain designated behavior by taxpayers, as  
12 indicated in RCW 82.32.808(2) (a).

13 (3) It is the legislature's specific public policy objective to  
14 encourage sales or transfers of real property to nonprofit entities,  
15 housing authorities, or public corporations that intend to use the  
16 transferred property for housing for low-income persons.

17 (4) If a review finds that the number of sales or transfers of  
18 real property to qualified entities has not increased, then the  
19 legislature intends to repeal the expiration date of the tax  
20 preference.

21 (5) In order to obtain the data necessary to perform the review  
22 in subsection (4) of this section, the joint legislative audit and  
23 review committee may refer to any available data source, including  
24 the transfer or sale of properties reported by county records.

25 **Sec. 3.** RCW 82.45.010 and 2019 c 424 s 3, 2019 c 390 s 10, and  
26 2019 c 385 s 2 are each reenacted and amended to read as follows:

27 (1) As used in this chapter, the term "sale" has its ordinary  
28 meaning and includes any conveyance, grant, assignment, quitclaim, or  
29 transfer of the ownership of or title to real property, including  
30 standing timber, or any estate or interest therein for a valuable  
31 consideration, and any contract for such conveyance, grant,  
32 assignment, quitclaim, or transfer, and any lease with an option to  
33 purchase real property, including standing timber, or any estate or  
34 interest therein or other contract under which possession of the  
35 property is given to the purchaser, or any other person at the  
36 purchaser's direction, and title to the property is retained by the  
37 vendor as security for the payment of the purchase price. The term

1 also includes the grant, assignment, quitclaim, sale, or transfer of  
2 improvements constructed upon leased land.

3 (2) (a) The term "sale" also includes the transfer or acquisition  
4 within any thirty-six month period of a controlling interest in any  
5 entity with an interest in real property located in this state for a  
6 valuable consideration.

7 (b) For the sole purpose of determining whether, pursuant to the  
8 exercise of an option, a controlling interest was transferred or  
9 acquired within a thirty-six month period, the date that the option  
10 agreement was executed is the date on which the transfer or  
11 acquisition of the controlling interest is deemed to occur. For all  
12 other purposes under this chapter, the date upon which the option is  
13 exercised is the date of the transfer or acquisition of the  
14 controlling interest.

15 (c) For purposes of this subsection, all acquisitions of persons  
16 acting in concert must be aggregated for purposes of determining  
17 whether a transfer or acquisition of a controlling interest has taken  
18 place. The department must adopt standards by rule to determine when  
19 persons are acting in concert. In adopting a rule for this purpose,  
20 the department must consider the following:

21 (i) Persons must be treated as acting in concert when they have a  
22 relationship with each other such that one person influences or  
23 controls the actions of another through common ownership; and

24 (ii) When persons are not commonly owned or controlled, they must  
25 be treated as acting in concert only when the unity with which the  
26 purchasers have negotiated and will consummate the transfer of  
27 ownership interests supports a finding that they are acting as a  
28 single entity. If the acquisitions are completely independent, with  
29 each purchaser buying without regard to the identity of the other  
30 purchasers, then the acquisitions are considered separate  
31 acquisitions.

32 (3) The term "sale" does not include:

33 (a) A transfer by gift, devise, or inheritance.

34 (b) A transfer by transfer on death deed, to the extent that it  
35 is not in satisfaction of a contractual obligation of the decedent  
36 owed to the recipient of the property.

37 (c) A transfer of any leasehold interest other than of the type  
38 mentioned above.

39 (d) A cancellation or forfeiture of a vendee's interest in a  
40 contract for the sale of real property, whether or not such contract

1 contains a forfeiture clause, or deed in lieu of foreclosure of a  
2 mortgage.

3 (e) The partition of property by tenants in common by agreement  
4 or as the result of a court decree.

5 (f) The assignment of property or interest in property from one  
6 spouse or one domestic partner to the other spouse or other domestic  
7 partner in accordance with the terms of a decree of dissolution of  
8 marriage or state registered domestic partnership or in fulfillment  
9 of a property settlement agreement.

10 (g) The assignment or other transfer of a vendor's interest in a  
11 contract for the sale of real property, even though accompanied by a  
12 conveyance of the vendor's interest in the real property involved.

13 (h) Transfers by appropriation or decree in condemnation  
14 proceedings brought by the United States, the state or any political  
15 subdivision thereof, or a municipal corporation.

16 (i) A mortgage or other transfer of an interest in real property  
17 merely to secure a debt, or the assignment thereof.

18 (j) Any transfer or conveyance made pursuant to a deed of trust  
19 or an order of sale by the court in any mortgage, deed of trust, or  
20 lien foreclosure proceeding or upon execution of a judgment, or deed  
21 in lieu of foreclosure to satisfy a mortgage or deed of trust.

22 (k) A conveyance to the federal housing administration or  
23 veterans administration by an authorized mortgagee made pursuant to a  
24 contract of insurance or guaranty with the federal housing  
25 administration or veterans administration.

26 (l) A transfer in compliance with the terms of any lease or  
27 contract upon which the tax as imposed by this chapter has been paid  
28 or where the lease or contract was entered into prior to the date  
29 this tax was first imposed.

30 (m) The sale of any grave or lot in an established cemetery.

31 (n) A sale by the United States, this state or any political  
32 subdivision thereof, or a municipal corporation of this state.

33 (o) A sale to a regional transit authority or public corporation  
34 under RCW 81.112.320 under a sale/leaseback agreement under RCW  
35 81.112.300.

36 (p) A transfer of real property, however effected, if it consists  
37 of a mere change in identity or form of ownership of an entity where  
38 there is no change in the beneficial ownership. These include  
39 transfers to a corporation or partnership which is wholly owned by  
40 the transferor and/or the transferor's spouse or domestic partner or

1 children of the transferor or the transferor's spouse or domestic  
2 partner. However, if thereafter such transferee corporation or  
3 partnership voluntarily transfers such real property, or such  
4 transferor, spouse or domestic partner, or children of the transferor  
5 or the transferor's spouse or domestic partner voluntarily transfer  
6 stock in the transferee corporation or interest in the transferee  
7 partnership capital, as the case may be, to other than (i) the  
8 transferor and/or the transferor's spouse or domestic partner or  
9 children of the transferor or the transferor's spouse or domestic  
10 partner, (ii) a trust having the transferor and/or the transferor's  
11 spouse or domestic partner or children of the transferor or the  
12 transferor's spouse or domestic partner as the only beneficiaries at  
13 the time of the transfer to the trust, or (iii) a corporation or  
14 partnership wholly owned by the original transferor and/or the  
15 transferor's spouse or domestic partner or children of the transferor  
16 or the transferor's spouse or domestic partner, within three years of  
17 the original transfer to which this exemption applies, and the tax on  
18 the subsequent transfer has not been paid within sixty days of  
19 becoming due, excise taxes become due and payable on the original  
20 transfer as otherwise provided by law.

21 (q) (i) A transfer that for federal income tax purposes does not  
22 involve the recognition of gain or loss for entity formation,  
23 liquidation or dissolution, and reorganization, including but not  
24 limited to nonrecognition of gain or loss because of application of  
25 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal  
26 revenue code of 1986, as amended.

27 (ii) However, the transfer described in (q) (i) of this subsection  
28 cannot be preceded or followed within a thirty-six month period by  
29 another transfer or series of transfers, that, when combined with the  
30 otherwise exempt transfer or transfers described in (q) (i) of this  
31 subsection, results in the transfer of a controlling interest in the  
32 entity for valuable consideration, and in which one or more persons  
33 previously holding a controlling interest in the entity receive cash  
34 or property in exchange for any interest the person or persons acting  
35 in concert hold in the entity. This subsection (3) (q) (ii) does not  
36 apply to that part of the transfer involving property received that  
37 is the real property interest that the person or persons originally  
38 contributed to the entity or when one or more persons who did not  
39 contribute real property or belong to the entity at a time when real  
40 property was purchased receive cash or personal property in exchange

1 for that person or persons' interest in the entity. The real estate  
2 excise tax under this subsection (3)(q)(ii) is imposed upon the  
3 person or persons who previously held a controlling interest in the  
4 entity.

5 (r) A qualified sale of a manufactured/mobile home community, as  
6 defined in RCW 59.20.030.

7 (s)(i) A transfer of a qualified low-income housing development  
8 or controlling interest in a qualified low-income housing  
9 development, unless, due to noncompliance with federal statutory  
10 requirements, the seller is subject to recapture, in whole or in  
11 part, of its allocated federal low-income housing tax credits within  
12 the four years prior to the date of transfer.

13 (ii) For purposes of this subsection (3)(s), "qualified low-  
14 income housing development" means real property and improvements in  
15 respect to which the seller or, in the case of a transfer of a  
16 controlling interest, the owner or beneficial owner, was allocated  
17 federal low-income housing tax credits authorized under 26 U.S.C.  
18 Sec. 42 or successor statute, by the Washington state housing finance  
19 commission or successor state-authorized tax credit allocating  
20 agency.

21 (iii) This subsection (3)(s) does not apply to transfers of a  
22 qualified low-income housing development or controlling interest in a  
23 qualified low-income housing development occurring on or after July  
24 1, 2035.

25 (iv) The Washington state housing finance commission, in  
26 consultation with the department, must gather data on: (A) The fiscal  
27 savings, if any, accruing to transferees as a result of the exemption  
28 provided in this subsection (3)(s); (B) the extent to which  
29 transferors of qualified low-income housing developments receive  
30 consideration, including any assumption of debt, as part of a  
31 transfer subject to the exemption provided in this subsection (3)(s);  
32 and (C) the continued use of the property for low-income housing. The  
33 Washington state housing finance commission must provide this  
34 information to the joint legislative audit and review committee. The  
35 committee must conduct a review of the tax preference created under  
36 this subsection (3)(s) in calendar year 2033, as required under  
37 chapter 43.136 RCW.

38 (t)(i) A qualified transfer of residential property by a legal  
39 representative of a person with developmental disabilities to a  
40 qualified entity subject to the following conditions:

1 (A) The adult child with developmental disabilities of the  
2 transferor of the residential property must be allowed to reside in  
3 the residence or successor property so long as the placement is safe  
4 and appropriate as determined by the department of social and health  
5 services;

6 (B) The title to the residential property is conveyed without the  
7 receipt of consideration by the legal representative of a person with  
8 developmental disabilities to a qualified entity;

9 (C) The residential property must have no more than four living  
10 units located on it; and

11 (D) The residential property transferred must remain in continued  
12 use for fifty years by the qualified entity as supported living for  
13 persons with developmental disabilities by the qualified entity or  
14 successor entity. If the qualified entity sells or otherwise conveys  
15 ownership of the residential property the proceeds of the sale or  
16 conveyance must be used to acquire similar residential property and  
17 such similar residential property must be considered the successor  
18 for continued use. The property will not be considered in continued  
19 use if the department of social and health services finds that the  
20 property has failed, after a reasonable time to remedy, to meet any  
21 health and safety statutory or regulatory requirements. If the  
22 department of social and health services determines that the property  
23 fails to meet the requirements for continued use, the department of  
24 social and health services must notify the department and the real  
25 estate excise tax based on the value of the property at the time of  
26 the transfer into use as residential property for persons with  
27 developmental disabilities becomes immediately due and payable by the  
28 qualified entity. The tax due is not subject to penalties, fees, or  
29 interest under this title.

30 (ii) For the purposes of this subsection (3)(t) the definitions  
31 in RCW 71A.10.020 apply.

32 (iii) A "qualified entity" is:

33 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)  
34 of the federal internal revenue code of 1986, as amended, as of June  
35 7, 2018, or a subsidiary under the same taxpayer identification  
36 number that provides residential supported living for persons with  
37 developmental disabilities; or

38 (B) A nonprofit adult family home, as defined in RCW 70.128.010,  
39 that exclusively serves persons with developmental disabilities.



1 (iv) In order to receive an exemption under this subsection  
2 (3)(t) an affidavit must be submitted by the transferor of the  
3 residential property and must include a copy of the transfer  
4 agreement and any other documentation as required by the department.

5 (u)(i) The sale by an affordable homeownership facilitator of  
6 self-help housing to a low-income household. (~~The definitions in~~  
7 ~~section 2 of this act apply to this subsection.~~)

8 (ii) The definitions in this subsection (3)(u) apply to this  
9 subsection (3)(u) unless the context clearly requires otherwise.

10 (A) "Affordable homeownership facilitator" means a nonprofit  
11 community or neighborhood-based organization that is exempt from  
12 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue  
13 code of 1986, as amended, as of October 1, 2019, and that is the  
14 developer of self-help housing.

15 (B) "Low-income" means household income as defined by the  
16 department, provided that the definition may not exceed eighty  
17 percent of median household income, adjusted for household size, for  
18 the county in which the dwelling is located.

19 (C) "Self-help housing" means dwelling residences provided for  
20 ownership by low-income individuals and families whose ownership  
21 requirement includes labor participation. "Self-help housing" does  
22 not include residential rental housing provided on a commercial basis  
23 to the general public.

24 (v)(i) A sale or transfer of real property to a qualifying  
25 grantee that uses the property for housing for low-income persons and  
26 receives or otherwise qualifies the property for an exemption from  
27 real and personal property taxes under RCW 84.36.560, 84.36.049,  
28 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection  
29 (3)(v), "qualifying grantee" means a nonprofit entity as defined in  
30 RCW 84.36.560, a nonprofit entity or qualified cooperative  
31 association as defined in RCW 84.36.049, a housing authority created  
32 under RCW 35.82.030 or 35.82.300, a public corporation established  
33 under RCW 35.21.660 or 35.21.730, or a county or municipal  
34 corporation. A qualifying grantee that is a county or municipal  
35 corporation must record a covenant at the time of transfer that  
36 prohibits using the property for any purpose other than for low-  
37 income housing for a period of at least 10 years. At a minimum, the  
38 covenant must address price restrictions and household income limits  
39 for the low-income housing. A qualifying grantee must comply with the  
40 requirements described in (v)(i)(A), (B), or (C) of this subsection

1 and must also certify, by affidavit at the time of sale or transfer,  
2 that it intends to comply with those requirements.

3 (A) If the qualifying grantee intends to operate existing housing  
4 on the property, within one year of the sale or transfer:

5 (I) The qualifying grantee must receive or qualify the property  
6 for a tax exemption under RCW 84.36.560, 84.36.049,  
7 35.82.210, 35.21.755, or 84.36.010; and

8 (II) The property must be used as housing for low-income persons.

9 (B) If the qualifying grantee intends to develop new housing on  
10 the site, within five years of the sale or transfer:

11 (I) The qualifying grantee must receive or qualify the property  
12 for a tax exemption under RCW 84.36.560, 84.36.049,  
13 35.82.210, 35.21.755, or 84.36.010; and

14 (II) The property must be used as housing for low-income persons.

15 (C) If the qualifying grantee intends to substantially  
16 rehabilitate the premises as defined in RCW 59.18.200, within three  
17 years:

18 (I) The qualifying grantee must receive or qualify the property  
19 for a tax exemption under RCW 84.36.560, 84.36.049,  
20 35.82.210, 35.21.755, or 84.36.010; and

21 (II) The property must be used as housing for low-income persons.

22 (ii) If the qualifying grantee fails to satisfy the requirements  
23 described in (v) (i) (A), (B), or (C) of this subsection, within the  
24 timelines described in (v) (i) (A), (B), or (C) of this subsection, the  
25 qualifying grantee must pay the tax that would have otherwise been  
26 due at the time of initial transfer, plus interest calculated from  
27 the date of initial transfer pursuant to RCW 82.32.050.

28 (iii) If a qualifying grantee transfers the property to a  
29 different qualifying grantee within the original timelines described  
30 in (v) (i) (A), (B), or (C) of this subsection, neither the original  
31 qualifying grantee nor the new qualifying grantee is required to pay  
32 the tax, so long as the new qualifying grantee satisfies the  
33 requirements as described in (v) (i) (A), (B), or (C) of this  
34 subsection within the exemption period of the initial transfer. If  
35 the new qualifying grantee fails to satisfy the requirements  
36 described in (v) (i) (A), (B), or (C) of this subsection, only the new  
37 qualifying grantee is liable for the payment of taxes required by  
38 (v) (ii) of this subsection. There is no limit on the number of  
39 transfers between qualifying grantees within the original timelines.

1 (iv) Each affidavit must be filed with the department upon  
2 completion of the sale or transfer of property, including transfers  
3 from a qualifying grantee to a different qualifying grantee. The  
4 qualifying grantee must provide proof to the department as required  
5 by the department once the requirements as described in (v) (i) (A),  
6 (B), or (C) of this subsection have been satisfied.

7 (v) For the purposes of this subsection (3) (v), "low-income" has  
8 the same meaning as in (u) of this subsection.

9 **Sec. 4.** RCW 82.45.010 and 2019 c 424 s 3 are each amended to  
10 read as follows:

11 (1) As used in this chapter, the term "sale" has its ordinary  
12 meaning and includes any conveyance, grant, assignment, quitclaim, or  
13 transfer of the ownership of or title to real property, including  
14 standing timber, or any estate or interest therein for a valuable  
15 consideration, and any contract for such conveyance, grant,  
16 assignment, quitclaim, or transfer, and any lease with an option to  
17 purchase real property, including standing timber, or any estate or  
18 interest therein or other contract under which possession of the  
19 property is given to the purchaser, or any other person at the  
20 purchaser's direction, and title to the property is retained by the  
21 vendor as security for the payment of the purchase price. The term  
22 also includes the grant, assignment, quitclaim, sale, or transfer of  
23 improvements constructed upon leased land.

24 (2) (a) The term "sale" also includes the transfer or acquisition  
25 within any thirty-six month period of a controlling interest in any  
26 entity with an interest in real property located in this state for a  
27 valuable consideration.

28 (b) For the sole purpose of determining whether, pursuant to the  
29 exercise of an option, a controlling interest was transferred or  
30 acquired within a thirty-six month period, the date that the option  
31 agreement was executed is the date on which the transfer or  
32 acquisition of the controlling interest is deemed to occur. For all  
33 other purposes under this chapter, the date upon which the option is  
34 exercised is the date of the transfer or acquisition of the  
35 controlling interest.

36 (c) For purposes of this subsection, all acquisitions of persons  
37 acting in concert must be aggregated for purposes of determining  
38 whether a transfer or acquisition of a controlling interest has taken  
39 place. The department must adopt standards by rule to determine when

1 persons are acting in concert. In adopting a rule for this purpose,  
2 the department must consider the following:

3 (i) Persons must be treated as acting in concert when they have a  
4 relationship with each other such that one person influences or  
5 controls the actions of another through common ownership; and

6 (ii) When persons are not commonly owned or controlled, they must  
7 be treated as acting in concert only when the unity with which the  
8 purchasers have negotiated and will consummate the transfer of  
9 ownership interests supports a finding that they are acting as a  
10 single entity. If the acquisitions are completely independent, with  
11 each purchaser buying without regard to the identity of the other  
12 purchasers, then the acquisitions are considered separate  
13 acquisitions.

14 (3) The term "sale" does not include:

15 (a) A transfer by gift, devise, or inheritance.

16 (b) A transfer by transfer on death deed, to the extent that it  
17 is not in satisfaction of a contractual obligation of the decedent  
18 owed to the recipient of the property.

19 (c) A transfer of any leasehold interest other than of the type  
20 mentioned above.

21 (d) A cancellation or forfeiture of a vendee's interest in a  
22 contract for the sale of real property, whether or not such contract  
23 contains a forfeiture clause, or deed in lieu of foreclosure of a  
24 mortgage.

25 (e) The partition of property by tenants in common by agreement  
26 or as the result of a court decree.

27 (f) The assignment of property or interest in property from one  
28 spouse or one domestic partner to the other spouse or other domestic  
29 partner in accordance with the terms of a decree of dissolution of  
30 marriage or state registered domestic partnership or in fulfillment  
31 of a property settlement agreement.

32 (g) The assignment or other transfer of a vendor's interest in a  
33 contract for the sale of real property, even though accompanied by a  
34 conveyance of the vendor's interest in the real property involved.

35 (h) Transfers by appropriation or decree in condemnation  
36 proceedings brought by the United States, the state or any political  
37 subdivision thereof, or a municipal corporation.

38 (i) A mortgage or other transfer of an interest in real property  
39 merely to secure a debt, or the assignment thereof.

1 (j) Any transfer or conveyance made pursuant to a deed of trust  
2 or an order of sale by the court in any mortgage, deed of trust, or  
3 lien foreclosure proceeding or upon execution of a judgment, or deed  
4 in lieu of foreclosure to satisfy a mortgage or deed of trust.

5 (k) A conveyance to the federal housing administration or  
6 veterans administration by an authorized mortgagee made pursuant to a  
7 contract of insurance or guaranty with the federal housing  
8 administration or veterans administration.

9 (l) A transfer in compliance with the terms of any lease or  
10 contract upon which the tax as imposed by this chapter has been paid  
11 or where the lease or contract was entered into prior to the date  
12 this tax was first imposed.

13 (m) The sale of any grave or lot in an established cemetery.

14 (n) A sale by the United States, this state or any political  
15 subdivision thereof, or a municipal corporation of this state.

16 (o) A sale to a regional transit authority or public corporation  
17 under RCW 81.112.320 under a sale/leaseback agreement under RCW  
18 81.112.300.

19 (p) A transfer of real property, however effected, if it consists  
20 of a mere change in identity or form of ownership of an entity where  
21 there is no change in the beneficial ownership. These include  
22 transfers to a corporation or partnership which is wholly owned by  
23 the transferor and/or the transferor's spouse or domestic partner or  
24 children of the transferor or the transferor's spouse or domestic  
25 partner. However, if thereafter such transferee corporation or  
26 partnership voluntarily transfers such real property, or such  
27 transferor, spouse or domestic partner, or children of the transferor  
28 or the transferor's spouse or domestic partner voluntarily transfer  
29 stock in the transferee corporation or interest in the transferee  
30 partnership capital, as the case may be, to other than (i) the  
31 transferor and/or the transferor's spouse or domestic partner or  
32 children of the transferor or the transferor's spouse or domestic  
33 partner, (ii) a trust having the transferor and/or the transferor's  
34 spouse or domestic partner or children of the transferor or the  
35 transferor's spouse or domestic partner as the only beneficiaries at  
36 the time of the transfer to the trust, or (iii) a corporation or  
37 partnership wholly owned by the original transferor and/or the  
38 transferor's spouse or domestic partner or children of the transferor  
39 or the transferor's spouse or domestic partner, within three years of  
40 the original transfer to which this exemption applies, and the tax on

1 the subsequent transfer has not been paid within sixty days of  
2 becoming due, excise taxes become due and payable on the original  
3 transfer as otherwise provided by law.

4 (q)(i) A transfer that for federal income tax purposes does not  
5 involve the recognition of gain or loss for entity formation,  
6 liquidation or dissolution, and reorganization, including but not  
7 limited to nonrecognition of gain or loss because of application of  
8 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal  
9 revenue code of 1986, as amended.

10 (ii) However, the transfer described in (q)(i) of this subsection  
11 cannot be preceded or followed within a thirty-six month period by  
12 another transfer or series of transfers, that, when combined with the  
13 otherwise exempt transfer or transfers described in (q)(i) of this  
14 subsection, results in the transfer of a controlling interest in the  
15 entity for valuable consideration, and in which one or more persons  
16 previously holding a controlling interest in the entity receive cash  
17 or property in exchange for any interest the person or persons acting  
18 in concert hold in the entity. This subsection (3)(q)(ii) does not  
19 apply to that part of the transfer involving property received that  
20 is the real property interest that the person or persons originally  
21 contributed to the entity or when one or more persons who did not  
22 contribute real property or belong to the entity at a time when real  
23 property was purchased receive cash or personal property in exchange  
24 for that person or persons' interest in the entity. The real estate  
25 excise tax under this subsection (3)(q)(ii) is imposed upon the  
26 person or persons who previously held a controlling interest in the  
27 entity.

28 (r) A qualified sale of a manufactured/mobile home community, as  
29 defined in RCW 59.20.030, that takes place on or after June 12, 2008,  
30 but before December 31, 2018.

31 (s)(i) A transfer of a qualified low-income housing development  
32 or controlling interest in a qualified low-income housing  
33 development, unless, due to noncompliance with federal statutory  
34 requirements, the seller is subject to recapture, in whole or in  
35 part, of its allocated federal low-income housing tax credits within  
36 the four years prior to the date of transfer.

37 (ii) For purposes of this subsection (3)(s), "qualified low-  
38 income housing development" means real property and improvements in  
39 respect to which the seller or, in the case of a transfer of a  
40 controlling interest, the owner or beneficial owner, was allocated

1 federal low-income housing tax credits authorized under 26 U.S.C.  
2 Sec. 42 or successor statute, by the Washington state housing finance  
3 commission or successor state-authorized tax credit allocating  
4 agency.

5 (iii) This subsection (3)(s) does not apply to transfers of a  
6 qualified low-income housing development or controlling interest in a  
7 qualified low-income housing development occurring on or after July  
8 1, 2035.

9 (iv) The Washington state housing finance commission, in  
10 consultation with the department, must gather data on: (A) The fiscal  
11 savings, if any, accruing to transferees as a result of the exemption  
12 provided in this subsection (3)(s); (B) the extent to which  
13 transferors of qualified low-income housing developments receive  
14 consideration, including any assumption of debt, as part of a  
15 transfer subject to the exemption provided in this subsection (3)(s);  
16 and (C) the continued use of the property for low-income housing. The  
17 Washington state housing finance commission must provide this  
18 information to the joint legislative audit and review committee. The  
19 committee must conduct a review of the tax preference created under  
20 this subsection (3)(s) in calendar year 2033, as required under  
21 chapter 43.136 RCW.

22 (t)(i) A qualified transfer of residential property by a legal  
23 representative of a person with developmental disabilities to a  
24 qualified entity subject to the following conditions:

25 (A) The adult child with developmental disabilities of the  
26 transferor of the residential property must be allowed to reside in  
27 the residence or successor property so long as the placement is safe  
28 and appropriate as determined by the department of social and health  
29 services;

30 (B) The title to the residential property is conveyed without the  
31 receipt of consideration by the legal representative of a person with  
32 developmental disabilities to a qualified entity;

33 (C) The residential property must have no more than four living  
34 units located on it; and

35 (D) The residential property transferred must remain in continued  
36 use for fifty years by the qualified entity as supported living for  
37 persons with developmental disabilities by the qualified entity or  
38 successor entity. If the qualified entity sells or otherwise conveys  
39 ownership of the residential property the proceeds of the sale or  
40 conveyance must be used to acquire similar residential property and

1 such similar residential property must be considered the successor  
2 for continued use. The property will not be considered in continued  
3 use if the department of social and health services finds that the  
4 property has failed, after a reasonable time to remedy, to meet any  
5 health and safety statutory or regulatory requirements. If the  
6 department of social and health services determines that the property  
7 fails to meet the requirements for continued use, the department of  
8 social and health services must notify the department and the real  
9 estate excise tax based on the value of the property at the time of  
10 the transfer into use as residential property for persons with  
11 developmental disabilities becomes immediately due and payable by the  
12 qualified entity. The tax due is not subject to penalties, fees, or  
13 interest under this title.

14 (ii) For the purposes of this subsection (3)(t) the definitions  
15 in RCW 71A.10.020 apply.

16 (iii) A "qualified entity" is:

17 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)  
18 of the federal internal revenue code of 1986, as amended, as of June  
19 7, 2018, or a subsidiary under the same taxpayer identification  
20 number that provides residential supported living for persons with  
21 developmental disabilities; or

22 (B) A nonprofit adult family home, as defined in RCW 70.128.010,  
23 that exclusively serves persons with developmental disabilities.

24 (iv) In order to receive an exemption under this subsection  
25 (3)(t) an affidavit must be submitted by the transferor of the  
26 residential property and must include a copy of the transfer  
27 agreement and any other documentation as required by the department.

28 (u)(i) A sale or transfer of real property to a qualifying  
29 grantee that uses the property for housing for low-income persons and  
30 receives or otherwise qualifies the property for an exemption from  
31 real and personal property taxes under RCW 84.36.560, 84.36.049,  
32 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection  
33 (3)(u), "qualifying grantee" means a nonprofit entity as defined in  
34 RCW 84.36.560, a nonprofit entity or qualified cooperative  
35 association as defined in RCW 84.36.049, a housing authority created  
36 under RCW 35.82.030 or 35.82.300, a public corporation established  
37 under RCW 35.21.660 or 35.21.730, or a county or municipal  
38 corporation. A qualifying grantee that is a county or municipal  
39 corporation must record a covenant at the time of transfer that  
40 prohibits using the property for any purpose other than for low-



1 income housing for a period of at least 10 years. At a minimum, the  
2 covenant must address price restrictions and household income limits  
3 for the low-income housing. A qualifying grantee must comply with the  
4 requirements described in (u)(i)(A), (B), or (C) of this subsection  
5 and must also certify, by affidavit at the time of sale or transfer,  
6 that it intends to comply with those requirements.

7 (A) If the qualifying grantee intends to operate existing housing  
8 on the property, within one year of the sale or transfer:

9 (I) The qualifying grantee must receive or qualify the property  
10 for a tax exemption under RCW 84.36.560, 84.36.049,  
11 35.82.210, 35.21.755, or 84.36.010; and

12 (II) The property must be used as housing for low-income persons.

13 (B) If the qualifying grantee intends to develop new housing on  
14 the site, within five years of the sale or transfer:

15 (I) The qualifying grantee must receive or qualify the property  
16 for a tax exemption under RCW 84.36.560, 84.36.049,  
17 35.82.210, 35.21.755, or 84.36.010; and

18 (II) The property must be used as housing for low-income persons.

19 (C) If the qualifying grantee intends to substantially  
20 rehabilitate the premises as defined in RCW 59.18.200, within three  
21 years:

22 (I) The qualifying grantee must receive or qualify the property  
23 for a tax exemption under RCW 84.36.560, 84.36.049,  
24 35.82.210, 35.21.755, or 84.36.010; and

25 (II) The property must be used as housing for low-income persons.

26 (ii) If the qualifying grantee fails to satisfy the requirements  
27 described in (u)(i)(A), (B), or (C) of this subsection, within the  
28 timelines described in (u)(i)(A), (B), or (C) of this subsection, the  
29 qualifying grantee must pay the tax that would have otherwise been  
30 due at the time of initial transfer, plus interest calculated from  
31 the date of initial transfer pursuant to RCW 82.32.050.

32 (iii) If a qualifying grantee transfers the property to a  
33 different qualifying grantee within the original timelines described  
34 in (u)(i)(A), (B), or (C) of this subsection, neither the original  
35 qualifying grantee nor the new qualifying grantee is required to pay  
36 the tax, so long as the new qualifying grantee satisfies the  
37 requirements as described in (u)(i)(A), (B), or (C) of this  
38 subsection within the exemption period of the initial transfer. If  
39 the new qualifying grantee fails to satisfy the requirements  
40 described in (u)(i)(A), (B), or (C) of this subsection, only the new

1 qualifying grantee is liable for the payment of taxes required by  
2 (u)(ii) of this subsection. There is no limit on the number of  
3 transfers between qualifying grantees within the original timelines.

4 (iv) Each affidavit must be filed with the department upon  
5 completion of the sale or transfer of property, including transfers  
6 from a qualifying grantee to a different qualifying grantee. The  
7 qualifying grantee must provide proof to the department as required  
8 by the department once the requirements as described in (u)(i)(A),  
9 (B), or (C) of this subsection have been satisfied.

10 (v) For the purposes of this subsection (3)(u), "low-income"  
11 means household income as defined by the department, provided that  
12 the definition may not exceed 80 percent of median household income,  
13 adjusted for household size, for the county in which the dwelling is  
14 located.

15 NEW SECTION. Sec. 5. The expiration date provisions of RCW  
16 82.32.805(1)(a) do not apply to the tax preferences in sections 3 and  
17 4, chapter . . ., Laws of 2022 (sections 3 and 4 of this act).

18 NEW SECTION. Sec. 6. Section 3 of this act takes effect January  
19 1, 2023.

20 NEW SECTION. Sec. 7. Section 3 of this act expires January 1,  
21 2030.

22 NEW SECTION. Sec. 8. Section 4 of this act takes effect January  
23 1, 2030.

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