

February 16, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing & Trade
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 1345 - Exempting certain low-income rental housing from property taxes.**

Brief Summary of Bill

- Provides a real and personal property tax exemption for rental housing that is provided to very low-income households and owned or used by a nonprofit organization, corporation, or association.
- Provides a partial exemption for rental property that is based on percentage of dwelling units occupied by very low-income households.

BACKGROUND:

All real and personal property in this state is subject to property tax each year based on its

value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value of real property, including the land itself, and all buildings, structures, or improvements or other fixtures sitting upon such land, by the tax rate for each taxing district in which the property is located.

There are several exemptions from property tax. Some exemptions are available for housing-related properties. Property belonging to a nonprofit home for the aged can qualify for a partial or total exemption. Property belonging to a nonprofit organization that provides emergency or transitional housing to low-income persons or victims of domestic violence is exempt from payment of property tax. In addition, persons over age 61 or retired, due to disability, who have incomes below \$28,000 are eligible for a partial exemption from the property tax on their home.

SUMMARY:

A property tax exemption for real and personal property is provided for rental housing for very low-income households that is either (A) owned or used by a nonprofit organization, association, or corporation, or (B) where the nonprofit is the general partner with a for-profit organization, corporation, or association. The property tax exemption applies to rental property that meets the following conditions:

- . The benefit of the exemption goes to the nonprofit organization, corporation, or association;
- . At least 75 percent of the occupied dwelling units are occupied by households with incomes at or below 50 percent of the median income, adjusted for household size, for the county where the property is located;
- . The rental housing was insured, financed, or assisted in all or in part through the state's housing finance programs, or a local housing levy, or a federally assisted housing program where the owner agrees to maintain the use restrictions, or where the Department of Community, Trade, and Economic Development or the Washington Housing Finance Commission certifies that the property meets the very low-income occupancy requirements; and
- . The monthly rents for the individual dwelling units occupied by very low-income households does not exceed the actual cost of operating and maintaining the housing.

If fewer than 75 percent of the units are occupied by very low-income households, than a partial exemption from the property tax is available. The partial exemption is equal to the ratio of rental units occupied by very low-income households to the total number of occupied rental units.

The nonprofit organization, corporation, or association may agree to make payments in-lieu of taxes to a local government for improvements, services, and facilities that are furnished and benefit the rental housing. The payments may not exceed the amount paid as an annual tax by the nonprofit to the local government.

Appropriation: None.

Fiscal Note: Requested February 10, 1999.

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