
SUBSTITUTE HOUSE BILL 1345

State of Washington

56th Legislature

1999 Regular Session

By House Committee on Economic Development, Housing & Trade (originally sponsored by Representatives O'Brien, Radcliff, Ballasiotes, Tokuda, Van Luven, Pennington, McIntire, Sheahan, Kagi, Sullivan, Cody, Veloria, Constantine, Edwards, Cooper, Rockefeller, D. Sommers, Campbell, McDonald, Edmonds, Ruderman and Dunn)

Read first time 01/21/1999.

1 AN ACT Relating to exemption of property taxes for assisted
2 housing; reenacting and amending RCW 84.36.805 and 84.36.810; adding a
3 new section to chapter 84.36 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.36 RCW
6 to read as follows:

7 (1) The real and personal property owned or used by a nonprofit in
8 providing rental housing for very low-income households is exempt from
9 taxation if:

10 (a) The benefit of the exemption inures to the nonprofit
11 organization, association, or corporation;

12 (b) At least seventy-five percent of the occupied dwelling units in
13 the rental housing are occupied by very low-income households; and

14 (c) The rental housing was insured, financed, or assisted in whole
15 or in part through:

16 (i) A federal or state housing program administered by the
17 department of community, trade, and economic development; or

18 (ii) An affordable housing levy authorized under RCW 84.52.105.

1 (2) If less than seventy-five percent of the dwelling units are
2 occupied by very low-income households, the rental housing used to
3 provide housing for very low-income households is eligible for a
4 partial exemption on the real property and a total exemption of the
5 housing's personal property as follows:

6 (a) The partial exemption shall be allowed for each dwelling unit
7 in the rental housing occupied by very low-income households.

8 (b) The amount of exemption shall be calculated by multiplying the
9 assessed value of the property reasonably necessary to provide the
10 rental housing by a fraction. The numerator of the fraction is the
11 number of dwelling units occupied by very low-income households as of
12 January 1st of the year for which the exemption is claimed. The
13 denominator of the fraction is the total number of occupied dwelling
14 units as of January 1st of the year for which exemption is claimed.

15 (3) Rental housing for very low-income households is exempt from
16 property taxation only if the nonprofit operating the housing is exempt
17 from income tax under section 501(c) of the federal internal revenue
18 code.

19 (4) To be exempt under this section, the property must be used
20 exclusively for the purposes for which exemption is granted, except as
21 provided in RCW 84.36.805.

22 (5) The nonprofit qualifying for the exemption under this section
23 by providing rental housing for very low-income households may agree to
24 make payments to the city, county, or other political subdivision for
25 improvements, services, and facilities furnished by the city, county,
26 or political subdivision for the benefit of the rental housing.
27 However, these payments shall not exceed the amount last levied as the
28 annual tax of the city, county, or political subdivision upon the
29 property prior to exemption.

30 (6) As used in this section:

31 (a) "Occupied dwelling unit" means a living unit that is occupied
32 on January 1st of the year in which the claim for exemption is
33 submitted;

34 (b) "Rental housing" means residential housing that is occupied but
35 not owned by very low-income households;

36 (c) "Very low-income households" means a single person, family, or
37 unrelated persons living together whose income is at or below fifty
38 percent of the median income adjusted for family size as most recently
39 determined by the federal department of housing and urban development

1 for the county in which the rental housing is located and in effect as
2 of January 1st of the year the application for exemption is submitted;
3 and

4 (d) "Nonprofit" means a nonprofit as defined in RCW 84.36.800 and
5 includes a limited partnership where the nonprofit or a public
6 corporation established under RCW 35.21.660, 35.21.670, and 35.21.730
7 is a general partner, or a limited liability company where the
8 nonprofit or the public corporation is a managing member.

9 **Sec. 2.** RCW 84.36.805 and 1998 c 311 s 25, 1998 c 202 s 3, and
10 1998 c 184 s 2 are each reenacted and amended to read as follows:

11 In order to be exempt pursuant to RCW 84.36.030, 84.36.035,
12 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,
13 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480, 84.36.550,
14 ((and)) 84.36.042, and section 1 of this act, the nonprofit
15 organizations, associations, or corporations shall satisfy the
16 following conditions:

17 (1) The property is used exclusively for the actual operation of
18 the activity for which exemption is granted, unless otherwise provided,
19 and does not exceed an amount reasonably necessary for that purpose,
20 except:

21 (a) The loan or rental of the property does not subject the
22 property to tax if:

23 (i) The rents and donations received for the use of the portion of
24 the property are reasonable and do not exceed the maintenance and
25 operation expenses attributable to the portion of the property loaned
26 or rented; and

27 (ii) Except for the exemptions under RCW 84.36.030(4) and
28 84.36.037, the property would be exempt from tax if owned by the
29 organization to which it is loaned or rented;

30 (b) The use of the property for fund-raising activities does not
31 subject the property to tax if the fund-raising activities are
32 consistent with the purposes for which the exemption is granted;

33 (2) The property is irrevocably dedicated to the purpose for which
34 exemption has been granted, and on the liquidation, dissolution, or
35 abandonment by said organization, association, or corporation, said
36 property will not inure directly or indirectly to the benefit of any
37 shareholder or individual, except a nonprofit organization,
38 association, or corporation which too would be entitled to property tax

1 exemption. This property need not be irrevocably dedicated if it is
2 leased or rented to those qualified for exemption pursuant to RCW
3 84.36.035, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,
4 (~~or~~) 84.36.042, or section 1 of this act, or those qualified for
5 exemption as an association engaged in the production or performance of
6 musical, dance, artistic, dramatic, or literary works pursuant to RCW
7 84.36.060, but only if under the terms of the lease or rental agreement
8 the nonprofit organization, association, or corporation receives the
9 benefit of the exemption;

10 (3) The facilities and services are available to all regardless of
11 race, color, national origin or ancestry;

12 (4) The organization, association, or corporation is duly licensed
13 or certified where such licensing or certification is required by law
14 or regulation;

15 (5) Property sold to organizations, associations, or corporations
16 with an option to be repurchased by the seller shall not qualify for
17 exempt status;

18 (6) The director of the department of revenue shall have access to
19 its books in order to determine whether such organization, association,
20 or corporation is exempt from taxes within the intent of RCW 84.36.030,
21 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
22 84.36.046, 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480,
23 (~~and~~) 84.36.042, and section 1 of this act.

24 **Sec. 3.** RCW 84.36.810 and 1998 c 311 s 26 and 1998 c 202 s 4 are
25 each reenacted and amended to read as follows:

26 (1) Upon cessation of a use under which an exemption has been
27 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
28 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550, (~~and~~)
29 84.36.042, and section 1 of this act, the county treasurer shall
30 collect all taxes which would have been paid had the property not been
31 exempt during the three years preceding, or the life of such exemption,
32 if such be less, together with the interest at the same rate and
33 computed in the same way as that upon delinquent property taxes. Where
34 the property has been granted an exemption for more than ten years,
35 taxes and interest shall not be assessed under this section.

36 (2) Subsection (1) of this section applies only when ownership of
37 the property is transferred or when fifty-one percent or more of the
38 area of the property has lost its exempt status. The additional tax

1 under subsection (1) of this section shall not be imposed if the
2 cessation of use resulted solely from:

3 (a) Transfer to a nonprofit organization, association, or
4 corporation for a use which also qualifies and is granted exemption
5 under the provisions of chapter 84.36 RCW;

6 (b) A taking through the exercise of the power of eminent domain,
7 or sale or transfer to an entity having the power of eminent domain in
8 anticipation of the exercise of such power;

9 (c) Official action by an agency of the state of Washington or by
10 the county or city within which the property is located which disallows
11 the present use of such property;

12 (d) A natural disaster such as a flood, windstorm, earthquake, or
13 other such calamity rather than by virtue of the act of the
14 organization, association, or corporation changing the use of such
15 property;

16 (e) Relocation of the activity and use of another location or site
17 except for undeveloped properties of camp facilities exempted under RCW
18 84.36.030;

19 (f) Cancellation of a lease on property that had been exempt under
20 RCW 84.36.040, 84.36.041, 84.36.043, 84.36.046, 84.36.060, ((or))
21 84.36.042, or section 1 of this act;

22 (g) A change in the exempt portion of a home for the aging under
23 RCW 84.36.041(3), as long as some portion of the home remains exempt((+)

24 ~~(h) The conversion of a full exemption of a home for the aging to
25 a partial exemption or taxable status or the conversion of a partial
26 exemption to taxable status under RCW 84.36.041(8))~~).

27 NEW SECTION. **Sec. 4.** This act applies to taxes levied in 1999 for
28 collection in 2000 and thereafter.

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