

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2098

Chapter 7, Laws of 2001

57th Legislature
2001 First Special Legislative Session

TAXATION--HOUSING FOR LOW-INCOME HOUSEHOLDS

EFFECTIVE DATE: 8/23/01

Passed by the House May 24, 2001
Yeas 96 Nays 0

FRANK CHOPP
Speaker of the House of Representatives

CLYDE BALLARD
Speaker of the House of Representatives

Passed by the Senate May 24, 2001
Yeas 44 Nays 0

BRAD OWEN
President of the Senate

Approved June 11, 2001

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2098** as passed by the House of Representatives and the Senate on the dates hereon set forth.

TIMOTHY A. MARTIN
Chief Clerk

CYNTHIA ZEHNDER
Chief Clerk

FILED

June 11, 2001 - 3:07 p.m.

**Secretary of State
State of Washington**

HOUSE BILL 2098

AS AMENDED BY THE SENATE

Passed Legislature - 2001 First Special Session

State of Washington 57th Legislature 2001 Regular Session

By Representatives Edmonds, Pennington, McIntire, Jarrett, Morris, Cairnes, Santos and Conway; by request of Department of Revenue

Read first time 02/14/2001. Referred to Committee on Finance.

1 AN ACT Relating to the exemption from taxation of housing for very
2 low-income households; amending RCW 84.36.560; and reenacting and
3 amending RCW 84.36.805.

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

5 **Sec. 1.** RCW 84.36.560 and 1999 c 203 s 1 are each amended to read
6 as follows:

7 (1) The real and personal property owned or used by a nonprofit
8 entity in providing rental housing for very low-income households or
9 used to provide space for the placement of a mobile home for a very
10 low-income household within a mobile home park is exempt from taxation
11 if:

12 (a) The benefit of the exemption inures to the nonprofit
13 (~~organization, association, or corporation~~) entity;

14 (b) At least seventy-five percent of the occupied dwelling units in
15 the rental housing or lots in a mobile home park are occupied by a very
16 low-income household(~~s~~); and

17 (c) The rental housing (~~was~~) or lots in a mobile home park were
18 insured, financed, or assisted in whole or in part through:

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

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

4 (2) If less than seventy-five percent of the occupied dwelling
5 units within the rental housing or lots in the mobile home park are
6 occupied by very low-income households, the rental housing (~~used to~~
7 ~~provide housing for very low-income households~~) or mobile home park is
8 eligible for a partial exemption on the real property and a total
9 exemption of the housing's or park's personal property as follows:

10 (a) (~~The~~) A partial exemption shall be allowed for each dwelling
11 unit in the rental housing or for each lot in a mobile home park
12 occupied by a very low-income household(~~s~~).

13 (b) The amount of exemption shall be calculated by multiplying the
14 assessed value of the property reasonably necessary to provide the
15 rental housing or to operate the mobile home park by a fraction. The
16 numerator of the fraction is the number of dwelling units or lots
17 occupied by very low-income households as of December 31st of the first
18 assessment year in which the rental housing or mobile home park becomes
19 operational or on January 1st of (~~the~~) each subsequent assessment
20 year for which the exemption is claimed. The denominator of the
21 fraction is the total number of (~~occupied~~) dwelling units (~~as of~~)
22 or lots occupied as of December 31st of the first assessment year the
23 rental housing or mobile home park becomes operational and January 1st
24 of (~~the~~) each subsequent assessment year for which exemption is
25 claimed.

26 (3) (~~Rental housing for very low-income households is exempt from~~
27 ~~property taxation only if the nonprofit operating the housing is exempt~~
28 ~~from income tax under section 501(c) of the federal internal revenue~~
29 ~~code~~) If a currently exempt rental housing unit in a facility with ten
30 units or fewer or mobile home lot in a mobile home park with ten lots
31 or fewer was occupied by a very low-income household at the time the
32 exemption was granted and the income of the household subsequently
33 rises above fifty percent of the median income but remains at or below
34 eighty percent of the median income, the exemption will continue as
35 long as the housing continues to meet the certification requirements of
36 a very low-income housing program administered by the department of
37 community, trade, and economic development or the affordable housing
38 levy under RCW 84.52.105. For purposes of this section, median income,
39 as most recently determined by the federal department of housing and

1 urban development for the county in which the rental housing or mobile
2 home park is located, shall be adjusted for family size. However, if
3 a dwelling unit or a lot becomes vacant and is subsequently re-rented,
4 the income of the new household must be at or below fifty percent of
5 the median income adjusted for family size as most recently determined
6 by the federal department of housing and urban development for the
7 county in which the rental housing or mobile home park is located to
8 remain exempt from property tax.

9 (4) If at the time of initial application the property is
10 unoccupied, or subsequent to the initial application the property is
11 unoccupied because of renovations, and the property is not currently
12 being used for the exempt purpose authorized by this section but will
13 be used for the exempt purpose within two assessment years, the
14 property shall be eligible for a property tax exemption for the
15 assessment year in which the claim for exemption is submitted under the
16 following conditions:

17 (a) A commitment for financing to acquire, construct, renovate, or
18 otherwise convert the property to provide housing for very low-income
19 households has been obtained, in whole or in part, by the nonprofit
20 entity claiming the exemption from:

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

23 (ii) An affordable housing levy authorized under RCW 84.52.105;

24 (b) The nonprofit entity has manifested its intent in writing to
25 construct, remodel, or otherwise convert the property to housing for
26 very low-income households; and

27 (c) Only the portion of property that will be used to provide
28 housing or lots for very low-income households shall be exempt under
29 this section.

30 ~~((4))~~ (5) To be exempt under this section, the property must be
31 used exclusively for the purposes for which the exemption is granted,
32 except as provided in RCW 84.36.805.

33 ~~((5))~~ (6) The nonprofit entity qualifying for ~~((the))~~ a property
34 tax exemption under this section ~~((by providing rental housing for very~~
35 low-income households)) may agree to make payments to the city, county,
36 or other political subdivision for improvements, services, and
37 facilities furnished by the city, county, or political subdivision for
38 the benefit of the rental housing. However, these payments shall not

1 exceed the amount last levied as the annual tax of the city, county, or
2 political subdivision upon the property prior to exemption.

3 ~~((6))~~ (7) As used in this section:

4 (a) "Group home" means a single-family dwelling financed, in whole
5 or in part, by the department of community, trade, and economic
6 development or by an affordable housing levy under RCW 84.52.105. The
7 residents of a group home shall not be considered to jointly constitute
8 a household, but each resident shall be considered to be a separate
9 household occupying a separate dwelling unit. The individual incomes
10 of the residents shall not be aggregated for purposes of this
11 exemption;

12 (b) "Mobile home lot" or "mobile home park" means the same as these
13 terms are defined in RCW 59.20.030;

14 (c) "Occupied dwelling unit" means a living unit that is occupied
15 by an individual or household as of December 31st of the first
16 assessment year the rental housing becomes operational or is occupied
17 by an individual or household on January 1st of ((the)) each subsequent
18 assessment year in which the claim for exemption is submitted. If the
19 housing facility is comprised of three or fewer dwelling units and
20 there are any unoccupied units on January 1st, the department shall
21 base the amount of the exemption upon the number of occupied dwelling
22 units as of December 31st of the first assessment year the rental
23 housing becomes operational and on May 1st of each subsequent
24 assessment year in which the claim for exemption is submitted;

25 ~~((b))~~ (d) "Rental housing" means a residential housing facility
26 or group home that is occupied but not owned by very low-income
27 households;

28 ~~((e))~~ (e) "Very low-income household((s))" means a single person,
29 family, or unrelated persons living together whose income is at or
30 below fifty percent of the median income adjusted for family size as
31 most recently determined by the federal department of housing and urban
32 development for the county in which the rental housing is located and
33 in effect as of January 1st of the year the application for exemption
34 is submitted; and

35 ~~((d))~~ (f) "Nonprofit entity" means a:

36 (i) Nonprofit as defined in RCW 84.36.800 ((and includes a)) that
37 is exempt from income tax under section 501(c) of the federal internal
38 revenue code;

1 (ii) Limited partnership where ((the)) a nonprofit ((or)) as
2 defined in RCW 84.36.800 that is exempt from income tax under section
3 501(c) of the federal internal revenue code, a public corporation
4 established under RCW 35.21.660, 35.21.670, ((and)) or 35.21.730, a
5 housing authority created under RCW 35.82.030 or 35.82.300, or a
6 housing authority meeting the definition in RCW 35.82.210(2)(a) is a
7 general partner((r))i or ((a))

8 (iii) Limited liability company where ((the)) a nonprofit ((or
9 the)) as defined in RCW 84.36.800 that is exempt from income tax under
10 section 501(c) of the federal internal revenue code, a public
11 corporation established under RCW 35.21.660, 35.21.670, or 35.21.730,
12 a housing authority established under RCW 35.82.030 or 35.82.300, or a
13 housing authority meeting the definition in RCW 35.82.210(2)(a) is a
14 managing member.

15 **Sec. 2.** RCW 84.36.805 and 1999 c 203 s 2 and 1999 c 139 s 3 are
16 each reenacted and amended to read as follows:

17 (1) In order to qualify for an exemption under this chapter and RCW
18 84.36.560, the nonprofit organizations, associations, or corporations
19 must satisfy the conditions in this section.

20 (2) The property must be used exclusively for the actual operation
21 of the activity for which exemption is granted, unless otherwise
22 provided, and does not exceed an amount reasonably necessary for that
23 purpose, except:

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

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

30 (ii) Except for the exemptions under RCW 84.36.030(4) and
31 84.36.037, the property would be exempt from tax if owned by the
32 organization to which it is loaned or rented;

33 (b) The use of the property for fund-raising activities does not
34 subject the property to tax if the fund-raising activities are
35 consistent with the purposes for which the exemption is granted.

36 (3) The property must be irrevocably dedicated to the purpose for
37 which exemption has been granted, and on the liquidation, dissolution,
38 or abandonment by said organization, association, or corporation, said

1 property will not inure directly or indirectly to the benefit of any
2 shareholder or individual, except a nonprofit organization,
3 association, or corporation which too would be entitled to property tax
4 exemption. This property need not be irrevocably dedicated if it is
5 leased or rented to those qualified for exemption under this chapter or
6 RCW 84.36.560 for leased property, but only if under the terms of the
7 lease or rental agreement the nonprofit organization, association, or
8 corporation receives the benefit of the exemption.

9 (4) The facilities and services must be available to all regardless
10 of race, color, national origin or ancestry.

11 (5) The organization, association, or corporation must be duly
12 licensed or certified where such licensing or certification is required
13 by law or regulation.

14 (6) Property sold to organizations, associations, or corporations
15 with an option to be repurchased by the seller shall not qualify for
16 exempt status. This subsection does not apply to property sold to a
17 nonprofit entity, as defined in RCW 84.36.560(7), by:

18 (a) A nonprofit as defined in RCW 84.36.800 that is exempt from
19 income tax under section 501(c) of the federal internal revenue code;

20 (b) A governmental entity established under RCW 35.21.660,
21 35.21.670, or 35.21.730;

22 (c) A housing authority created under RCW 35.82.030;

23 (d) A housing authority meeting the definition in RCW
24 35.82.210(2)(a); or

25 (e) A housing authority established under RCW 35.82.300.

26 (7) The department shall have access to its books in order to
27 determine whether the nonprofit organization, association, or
28 corporation is exempt from taxes under this chapter and RCW 84.36.560.

29 (8) This section does not apply to exemptions granted under RCW
30 84.36.020, 84.36.032, 84.36.250, and 84.36.260.

Passed the House May 24, 2001.

Passed the Senate May 24, 2001.

Approved by the Governor June 11, 2001.

Filed in Office of Secretary of State June 11, 2001.