

HOUSE BILL REPORT

ESSB 5143

As Reported by House Committee On: Finance

Title: An act relating to the exemption of property taxes for nonprofit homeownership development.

Brief Description: Concerning the exemption of property taxes for nonprofit homeownership development.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Zeiger, Rolfes and Darneille).

Brief History:

Committee Activity:

Finance: 2/16/18, 2/19/18, 2/22/18 [DPA].

Brief Summary of Engrossed Substitute Bill (As Amended by Committee)

- Clarifies the property tax exemption for nonprofit homeownership development by specifying that land that is to be leased for 99 years or life to a low-income household qualifies for the exemption.
- Specifies that the lease of the exempted land to a low-income household terminates the property tax exemption.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Staff: Rachelle Harris (786-7137).

Background:

Property Tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All property in Washington is subject to property tax each year that is based on the highest and best use of the property, unless a specific exemption is provided by law. Property tax exemptions are currently made available to qualifying organizations, including schools, churches, nonprofit hospitals, nursing homes, museums, and public meeting halls.

Property Tax Exemption for Low-Income Housing Development.

Property that is owned by a nonprofit for the purposes of developing residences on the property for low-income households is exempt from state and local property taxes for a limited term. As long as the property remains held for the purpose of low-income housing development, the exemption lasts for seven consecutive tax years or until the nonprofit transfers title to the property. Should the nonprofit anticipate that it will be unable to sell the property within the seven-year term, the nonprofit may file for a three-year extension by filing a notice of extension with the Department of Revenue (DOR) and paying a filing fee.

The property is disqualified from the exemption if:

1. the nonprofit fails to transfer title to the property to a low-income household within the applicable exemption period; or
2. the property is converted to a use other than low-income housing development.

In this case, an additional tax is due that is equal to all taxes that would have been due within the applicable exemption period, plus interest. This additional tax is considered a lien on the property.

Summary of Amended Bill:

The property tax exemption for real property owned by a nonprofit entity for the purpose of developing real property to be sold to low-income households is amended to include single-family dwelling units where the land is leased for life or 99 years. This exemption applies to taxes levied for collection in 2019 and thereafter. The DOR may not accept applications for the exemption after December 31, 2027. The exemption may not be applied to taxes due in 2037 and thereafter.

A residence means a single-family dwelling unit, whether the unit is separate or part of a multiunit dwelling, and the land on which the dwelling unit stands, whether to be sold or to be leased for life or 99 years to the low-income household owning the unit.

Amended Bill Compared to Engrossed Substitute Bill:

The adopted striking amendment changes a date such that the exemption only applies to taxes due in 2037 and prior, and makes minor changes to the way internal statutory references are handled. It also makes a minor change to the intent language.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Community land trusts are intended to help promote homeownership for low-income people. This bill clarifies that the exemption should also apply to community land trusts. The bill is in response to the exemption passed in 2016 that gave nonprofits a temporary property tax exemption for the period of time when homes are being built for low-income families. The bill gives land trust organizations parity since land trusts were inadvertently left out of the 2016 bill. The policy does not provide a permanent removal of the property from tax rolls, and the owner of the home ultimately pays property tax when the home is complete. The community land trust model is a unique model that provides affordable homeownership in perpetuity.

(Opposed) None.

Persons Testifying: Senator Zeiger, prime sponsor; and Jessie Turner, Northwest Community Land Trust Coalition.

Persons Signed In To Testify But Not Testifying: None.