

SENATE BILL REPORT

SB 6418

As Reported By Senate Committee On:
Financial Institutions & Housing, February 2, 1996

Title: An act relating to exemption of property taxes for state and local assisted housing.

Brief Description: Providing an exemption of property taxes for state and local assisted housing.

Sponsors: Senators Spanel, Winsley, Franklin, Strannigan, Fraser, Wood, Prentice, Kohl and Moyer; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity: Financial Institutions & Housing: 1/25/96, 2/2/96 [DP-WM].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass and be referred Committee on Ways & Means.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Sellar, Smith and Sutherland.

Staff: David Cheal (786-7576)

Background: Property tax laws provide for a number of exemptions including schools, churches, emergency shelters, low-income elderly homeowners, and nonprofit homes for aging.

To maintain the exemptions granted, certain conditions must be met. The property must be used exclusively for the purpose the exemption was granted, subject to certain qualifications.

If the use that qualifies the property for an exemption is terminated, the county treasurer must collect taxes that would have been payable plus interest for the previous three years or the entire amount avoided under the exemption, whichever is less. If an exemption is obtained and in existence for a period of ten or more years continuously, the recapture provision does not apply.

The recapture provision does not apply if the property is transferred to a nonprofit entity which also qualifies for an exemption, the property is taken through the power of eminent domain, the activity is disallowed by local government action, or a natural disaster makes the continuation of the activity impossible.

Summary of Bill: A property tax exemption is added for real and personal property owned by nonprofit entities providing rental housing for very low-income households to the extent the property is reasonably necessary for the purposes of housing. To be eligible for the exemption, the benefit must inure to the nonprofit organization, at least 50 percent of the occupied dwelling units must be occupied by very low-income households, the rental housing

must be financed through or in consultation with a governmental entity that monitors such projects, and the rent for units occupied by very low-income households does not exceed the actual cost of operating and maintaining the housing.

A partial exemption is available if less than 50 percent of the dwelling units are occupied by very low-income households.

The exemption is available only if the provider is exempt from income tax under the federal Internal Revenue Code. The nonprofit organization qualifying for the exemption may enter into agreements with appropriate local government entities for improvements or services normally supplied by the city, county or other political subdivision for the benefit of rental housing.

"Very low-income household" is defined as a single person, family, or unrelated persons living together whose income is at or below 50 percent of the median income adjusted for family size under the latest determination by the federal Department of Housing and Urban Development for the county in which the rental housing is located.

Appropriation: None.

Fiscal Note: Requested on January 22, 1996.

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

Testimony For: Affordable housing for very low income households is increasingly scarce throughout the state. Housing of this type is developed mostly by nonprofit providers, often with assistance of state money. It doesn't make sense to give state money to nonprofit providers with one hand and take it away with the other hand. The exemption will stretch limited housing assistance funds.

Testimony Against: Tax benefits to nonprofit housing providers represents unfair competition with for-profit housing providers.

Testified: Enid Buchanan, DCTED (pro); Katherine Roseth, Lutheran Alliance to Create Housing (pro); Ann Rench, Seafirst Bank (pro); Elizabeth Meagher, Lewis Co. Rental Owners/WA Apartment Assn. (con); Theresa Bosler, Manufactured Housing Community/Thurston Rental Owners (con); Epaphruditus Elkahan, LIHI; Judy Reed, WCRA (pro); John Rogers, Chelan-Douglas Housing Coalition (pro); Majken Ryherd Keira, WA Low-Income Housing Congress (pro).