

2SHB 1532 - S COMM AMD

By Committee on Ways & Means

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. 2016 c 217 s 1 (uncodified) is amended to read as
4 follows:

5 (1) This section is the tax preference performance statement for
6 the tax preference contained in (~~this act~~) RCW 84.36.049. This
7 performance statement is only intended to be used for subsequent
8 evaluation of the tax preference. It is not intended to create a
9 private right of action by any party or be used to determine
10 eligibility for preferential tax treatment.

11 (2) The legislature categorizes this tax preference as one
12 intended to provide tax relief for certain businesses or individuals,
13 as indicated in RCW 82.32.808(2)(e).

14 (3) It is the legislature's specific public policy objective to
15 encourage and expand the ability of nonprofit low-income housing
16 developers to provide homeownership opportunities for low-income
17 households. It is the legislature's intent to exempt from taxation
18 real property owned by a nonprofit entity for the purpose of building
19 residences to be sold and, in the case of the land upon which the
20 residences are located, to either be sold or leased for life or
21 ninety-nine years, to low-income households in order to enhance the
22 ability of nonprofit low-income housing developers to purchase and
23 hold land for future affordable housing development.

24 (4)(a) To measure the effectiveness of the tax preference
25 provided in (~~section 2 of this act~~) RCW 84.36.049 in achieving the
26 specific public policy objectives described in subsection (3) of this
27 section, the joint legislative audit and review committee must
28 evaluate, two years prior to the expiration of the tax preference:

29 (i) The annual growth in the percentage of revenues dedicated to the
30 development of affordable housing, for each nonprofit claiming the
31 preference, for the period that the preference has been claimed; and

1 (ii) the annual changes in both the total number of parcels
2 qualifying for the exemption and the total number of parcels for
3 which owner occupancy notifications have been submitted to the
4 department of revenue, from June 9, 2016, through the most recent
5 year of available data prior to the committee's review.

6 (b) If the review by the joint legislative audit and review
7 committee finds that for most of the nonprofits claiming the
8 exemption, program spending, program expenses, or another ratio
9 representing the percentage of the nonprofit entity's revenues
10 dedicated to the development of affordable housing has increased for
11 the period during which the exemption was claimed, then the
12 legislature intends to extend the expiration date of the tax
13 preference.

14 (5) In order to obtain the data necessary to perform the review
15 in subsection (4) of this section, the joint legislative audit and
16 review committee may refer to:

17 (a) Initial applications for the preference as approved by the
18 department of revenue under RCW 84.36.815;

19 (b) Owner occupancy notices reported to the department of revenue
20 under (~~section 2 of this act~~) RCW 84.36.049;

21 (c) Annual financial statements for a nonprofit entity claiming
22 this tax preference, as defined in (~~section 2 of this act~~) RCW
23 84.36.049, and provided by nonprofit entities claiming this
24 preference; and

25 (d) Any other data necessary for the evaluation under subsection
26 (4) of this section.

27 **Sec. 2.** RCW 84.36.049 and 2016 c 217 s 2 are each amended to
28 read as follows:

29 (1) All real property owned by a nonprofit entity for the purpose
30 of developing or redeveloping on the real property one or more
31 residences to be sold to low-income households including land to be
32 leased as provided in subsection (8)(d)(ii) of this section, is
33 exempt from state and local property taxes.

34 (2) The exemption provided in this section expires on or at the
35 earlier of:

36 (a) The date on which the nonprofit entity transfers title to the
37 (~~real property~~) single-family dwelling unit;

38 (b) The date on which the nonprofit entity executes a lease of
39 land described in subsection (8)(d)(ii) of this section;

1 (c) The end of the seventh consecutive property tax year for
2 which the property is granted an exemption under this section or, if
3 the nonprofit entity has claimed an extension under subsection (3) of
4 this section, the end of the tenth consecutive property tax year for
5 which the property is granted an exemption under this section; or

6 (~~(e)~~) (d) The property is no longer held for the purpose for
7 which the exemption was granted.

8 (3) If the nonprofit entity believes that title to the (~~real~~
9 ~~property~~) single-family dwelling unit will not be transferred by the
10 end of the sixth consecutive property tax year, the nonprofit entity
11 may claim a three-year extension of the exemption period by:

12 (a) Filing a notice of extension with the department on or before
13 March 31st of the sixth consecutive property tax year; and

14 (b) Providing a filing fee equal to the greater of two hundred
15 dollars or one-tenth of one percent of the real market value of the
16 property as of the most recent assessment date with the notice of
17 extension. The filing fee must be deposited into the state general
18 fund.

19 (4)(a) If the nonprofit entity has not transferred title to the
20 (~~real property~~) single-family dwelling unit to a low-income
21 household within the applicable period described in subsection (2)(c)
22 of this section, or if the nonprofit entity has converted the
23 property to a purpose other than the purpose for which the exemption
24 was granted, the property is disqualified from the exemption.

25 (b) Upon disqualification, the county treasurer must collect an
26 additional tax equal to all taxes that would have been paid on the
27 property but for the existence of the exemption, plus interest at the
28 same rate and computed in the same way as that upon delinquent
29 property taxes.

30 (c) The additional tax must be distributed by the county
31 treasurer in the same manner in which current property taxes
32 applicable to the subject property are distributed. The additional
33 taxes and interest are due in full thirty days following the date on
34 which the treasurer's statement of additional tax due is issued.

35 (d) The additional tax and interest is a lien on the property.
36 The lien for additional tax and interest has priority to and must be
37 fully paid and satisfied before any recognizance, mortgage, judgment,
38 debt, obligation, or responsibility to or with which the property may
39 become charged or liable. If a nonprofit entity sells or transfers
40 real property subject to a lien for additional taxes under this

1 subsection, such unpaid additional taxes must be paid by the
2 nonprofit entity at the time of sale or transfer. The county auditor
3 may not accept an instrument of conveyance unless the additional tax
4 has been paid. The nonprofit entity or the new owner may appeal the
5 assessed values upon which the additional tax is based to the county
6 board of equalization in accordance with the provisions of RCW
7 84.40.038.

8 (5) Nonprofit entities receiving an exemption under this section
9 must immediately notify the department when the exempt real property
10 becomes occupied. The notice of occupancy made to the department must
11 include a certification by the nonprofit entity that the occupants
12 are a low-income household and a date when the title to the (~~real~~
13 ~~property~~) single-family dwelling unit was or is anticipated to be
14 transferred. The department of revenue must make the notices of
15 occupancy available to the joint legislative audit and review
16 committee, upon request by the committee, in order for the committee
17 to complete its review of the tax preference in this section.

18 (6) Upon cessation of the exemption, the value of new
19 construction and improvements to the property, not previously
20 considered as new construction, must be considered as new
21 construction for purposes of calculating levies under chapter 84.55
22 RCW. The assessed value of the property as it was valued prior to the
23 beginning of the exemption may not be considered as new construction
24 upon cessation of the exemption.

25 (7) Nonprofit entities receiving an exemption under this section
26 must provide annual financial statements to the joint legislative
27 audit and review committee, upon request by the committee, for the
28 years that the exemption has been claimed. The nonprofit entity must
29 identify the line or lines on the financial statements that comprise
30 the percentage of revenues dedicated to the development of affordable
31 housing.

32 (8) The definitions in this subsection apply throughout this
33 section unless the context clearly requires otherwise.

34 (a) "Financial statements" means an audited annual financial
35 statement and a completed United States treasury internal revenue
36 service return form 990 for organizations exempt from income tax.

37 (b) "Low-income household" means a single person, family, or
38 unrelated persons living together whose adjusted income is less than
39 eighty percent of the median family income, adjusted for family size

1 as most recently determined by the federal department of housing and
2 urban development for the county in which the property is located.

3 (c) "Nonprofit entity" means a nonprofit as defined in RCW
4 84.36.800 that is exempt from federal income taxation under 26 U.S.C.
5 Sec. 501(c)(3) of the federal internal revenue code of 1986, as
6 amended.

7 (d) "Residence" means:

8 (i) A single-family dwelling unit whether such unit be separate
9 or part of a multiunit dwelling(, including the land on which such
10 dwelling stands)); and

11 (ii) The land on which a dwelling unit described in (d)(i) of
12 this subsection (8) stands, whether to be sold, or to be leased for
13 life or ninety-nine years, to the low-income household owning such
14 dwelling unit.

15 (9) The department may not accept applications for the initial
16 exemption in this section after December 31, 2027. The exemption in
17 this section may not be approved for and does not apply to taxes due
18 in 2038 and thereafter.

19 (10) This section expires January 1, 2038.

20 NEW SECTION. Sec. 3. This act applies to taxes levied for
21 collection in 2019 and thereafter."

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22 On page 1, beginning on line 2 of the title, after "development;"
23 strike the remainder of the title and insert "amending RCW 84.36.049;
24 amending 2016 c 217 s 1 (uncodified); creating a new section; and
25 providing an expiration date."

EFFECT: Specifies that exemption applications may not be accepted
beginning in 2028 and the exemption expires in 2038. Makes a
technical change to a cross-reference.

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