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## Finance Committee

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### HB 1892

**Brief Description:** Simplifying the taxation of amenities owned by homeowners' associations.

**Sponsors:** Representative MacEwen.

Brief Summary of Bill
<ul style="list-style-type: none"><li>Exempts homeowners' association charges paid by members for access or admission to golf facilities, owned and operated by the association, from the sales and use tax.</li></ul>



**Hearing Date:** 2/17/17

**Staff:** Richelle Geiger (786-7139).

#### **Background:**

##### Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer, or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

##### Homeowners' Association.

A homeowners' association is a legal entity with membership comprised of the owners of residential real property located within a development or other specified area. An association typically arises from restrictive covenants recorded by a developer against property in a subdivision. A board of directors, elected by the members, manages the homeowners' association. In general, the purpose of an homeowners' association is to manage and maintain a subdivision's common areas and structures, to review design, and to maintain architectural

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control. A homeowners' association has authority to impose restrictions on the members of the homeowners' association, but not over nonmembers.

Many developments with homeowners' associations contain common areas, such as roads, swimming pools, green belts, or golf courses that the homeowners' association owns and maintains.

Homeowners' associations may charge dues, which may take the form of an assessment upon members in an amount necessary to pay for a budgeted expenditure level to care for common areas. Homeowners' associations may also charge fees or rentals for the usage of common areas and amenities. Under current statute, homeowners' associations are required to collect and remit sales tax on any charges or portions of charges that are for taxable activities, including access and admission to golf facilities, whether collected from members or nonmembers.

**Summary of Bill:**

The portion of membership fees paid by a member of a homeowners' association for access or admission to any common area owned and operated by the association for golfing is exempt from sales and use tax.

The tax preference is characterized as one intended to correct a structural inefficiency in the tax code, and is exempted from the Joint Legislative Audit and Review Commission review and from the automatic 10-year expiration.

**Appropriation:** None.

**Fiscal Note:** Requested on 2/1/2017.

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