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## Finance Committee

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### ESSB 5143

**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 Summary of Engrossed Substitute Bill

- 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.

**Hearing Date:** 2/16/18

**Staff:** Rachelle Harris (786-7137).

#### Background:

##### Property Tax.

All property in Washington State 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

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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 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.

**Appropriation:** None.

**Fiscal Note:** Available.

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