
SENATE BILL 5143

State of Washington

65th Legislature

2017 Regular Session

By Senators Zeiger, Rolfes, and Darneille

Read first time 01/13/17. Referred to Committee on Human Services,
Mental Health & Housing.

1 AN ACT Relating to the exemption of property taxes for nonprofit
2 homeownership development; amending RCW 84.36.049; amending 2016 c
3 217 s 1 (uncodified); creating a new section; and providing an
4 expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** 2016 c 217 s 1 (uncodified) is amended to read as
7 follows:

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

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

17 (3) It is the legislature's specific public policy objective to
18 encourage and expand the ability of nonprofit low-income housing
19 developers to provide homeownership opportunities for low-income
20 households. It is the legislature's intent to exempt from taxation
21 (~~real property~~) single-family dwelling units owned by a nonprofit

1 entity for the purpose of building residences to be sold, or to be
2 leased for life or ninety-nine years, to low-income households in
3 order to enhance the ability of nonprofit low-income housing
4 developers to purchase and hold land for future affordable housing
5 development.

6 (4)(a) To measure the effectiveness of the tax preference
7 provided in section 2 of this act in achieving the specific public
8 policy objectives described in subsection (3) of this section, the
9 joint legislative audit and review committee must evaluate, two years
10 prior to the expiration of the tax preference: (i) The annual growth
11 in the percentage of revenues dedicated to the development of
12 affordable housing, for each nonprofit claiming the preference, for
13 the period that the preference has been claimed; and (ii) the annual
14 changes in both the total number of parcels qualifying for the
15 exemption and the total number of parcels for which owner occupancy
16 notifications have been submitted to the department of revenue, from
17 June 9, 2016, through the most recent year of available data prior to
18 the committee's review.

19 (b) If the review by the joint legislative audit and review
20 committee finds that for most of the nonprofits claiming the
21 exemption, program spending, program expenses, or another ratio
22 representing the percentage of the nonprofit entity's revenues
23 dedicated to the development of affordable housing has increased for
24 the period during which the exemption was claimed, then the
25 legislature intends to extend the expiration date of the tax
26 preference.

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

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

32 (b) Owner occupancy notices reported to the department of revenue
33 under section 2 of this act;

34 (c) Annual financial statements for a nonprofit entity claiming
35 this tax preference, as defined in section 2 of this act, and
36 provided by nonprofit entities claiming this preference; and

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

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

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

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

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

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

14 (c) The end of the seventh consecutive property tax year for
15 which the property is granted an exemption under this section or, if
16 the nonprofit entity has claimed an extension under subsection (3) of
17 this section, the end of the tenth consecutive property tax year for
18 which the property is granted an exemption under this section; or

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

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

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

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

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

38 (b) Upon disqualification, the county treasurer must collect an
39 additional tax equal to all taxes that would have been paid on the
40 property but for the existence of the exemption, plus interest at the

1 same rate and computed in the same way as that upon delinquent
2 property taxes.

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

8 (d) The additional tax and interest is a lien on the property.
9 The lien for additional tax and interest has priority to and must be
10 fully paid and satisfied before any recognizance, mortgage, judgment,
11 debt, obligation, or responsibility to or with which the property may
12 become charged or liable. If a nonprofit entity sells or transfers
13 real property subject to a lien for additional taxes under this
14 subsection, such unpaid additional taxes must be paid by the
15 nonprofit entity at the time of sale or transfer. The county auditor
16 may not accept an instrument of conveyance unless the additional tax
17 has been paid. The nonprofit entity or the new owner may appeal the
18 assessed values upon which the additional tax is based to the county
19 board of equalization in accordance with the provisions of RCW
20 84.40.038.

21 (5) Nonprofit entities receiving an exemption under this section
22 must immediately notify the department when the exempt real property
23 becomes occupied. The notice of occupancy made to the department must
24 include a certification by the nonprofit entity that the occupants
25 are a low-income household and a date when the title to the ((~~real~~
26 ~~property~~)) single-family dwelling unit was or is anticipated to be
27 transferred. The department of revenue must make the notices of
28 occupancy available to the joint legislative audit and review
29 committee, upon request by the committee, in order for the committee
30 to complete its review of the tax preference in this section.

31 (6) Upon cessation of the exemption, the value of new
32 construction and improvements to the property, not previously
33 considered as new construction, must be considered as new
34 construction for purposes of calculating levies under chapter 84.55
35 RCW. The assessed value of the property as it was valued prior to the
36 beginning of the exemption may not be considered as new construction
37 upon cessation of the exemption.

38 (7) Nonprofit entities receiving an exemption under this section
39 must provide annual financial statements to the joint legislative
40 audit and review committee, upon request by the committee, for the

1 years that the exemption has been claimed. The nonprofit entity must
2 identify the line or lines on the financial statements that comprise
3 the percentage of revenues dedicated to the development of affordable
4 housing.

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

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

10 (b) "Low-income household" means a single person, family, or
11 unrelated persons living together whose adjusted income is less than
12 eighty percent of the median family income, adjusted for family size
13 as most recently determined by the federal department of housing and
14 urban development for the county in which the property is located.

15 (c) "Nonprofit entity" means a nonprofit as defined in RCW
16 84.36.800 that is exempt from federal income taxation under 26 U.S.C.
17 Sec. 501(c)(3) of the federal internal revenue code of 1986, as
18 amended.

19 (d) "Residence" means:

20 (i) A single-family dwelling unit whether such unit be separate
21 or part of a multiunit dwelling(, ~~including the land on which such~~
22 ~~dwelling stands~~); and

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

27 (9) This section expires January 1, 2027.

28 NEW SECTION. Sec. 3. This act applies to taxes levied for
29 collection in 2018 and thereafter.

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