
Finance Committee

HB 2630

Brief Description: Providing a limited property tax exemption for the construction of accessory dwelling units.

Sponsors: Representatives Walen, Goodman, Slatter, Springer, Duerr, Kloba, Rude, Chapman and Leavitt.

Brief Summary of Bill

- Exempts the value of constructing an accessory dwelling unit from property taxes for three years.

Hearing Date: 2/20/20

Staff: Rachelle Harris (786-7137).

Background:

Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Examples of property tax exemptions established either by statute or constitutionally include exemptions for churches, nonprofit hospitals, affordable housing, and certain improvements to single family residences. If a single family residence is improved by remodeling, adding new rooms, decks, patios, or other improvements, a person may apply for a three-year exemption from property taxes on the value of the physical improvement. Physical improvements do not include normal maintenance items, and the value of the improvements must be 30 percent or less of the value of the original structure. The exemption may not be claimed more than once in a five-year period.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences,

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including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

The value of constructing an accessory dwelling unit (ADU) is exempt from property tax for three assessment years after completion of the improvements. The ADU may be either attached to or within a single-family dwelling or as a detached unit on the same real property to qualify for the exemption. The bill applies for taxes levied for collection in 2021 and thereafter.

The bill is exempt from TPPS requirements and the 10-year expiration.

Appropriation: None.

Fiscal Note: Requested on February 14, 2020.

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