

HOUSE BILL REPORT

HB 2630

As Reported by House Committee On: Finance

Title: An act relating to providing a limited property tax exemption for the construction of accessory dwelling units.

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 History:

Committee Activity:

Finance: 2/20/20, 2/27/20 [DP].

Brief Summary of Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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, 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: Available.

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

Staff Summary of Public Testimony:

(In support) This state is feeling a shortage of housing acutely throughout our communities. Accessory dwelling units ought to be exempted much like when people make improvements to single-family homes. These kind of units will contribute to the development of community. This policy approach provides an option rather than a mandate. The goal of making more affordable housing and workforce housing is shared by the Legislature and cities across the state. The current three-year exemption for remodeling a single-family home does not allow for the addition of an accessory dwelling unit to the home to qualify for the exemption. This bill recognizes that accessory dwelling units should be among the viable

housing that can accommodate more growth and that fits in the existing fabric of our communities. This bill will work well to help solve our complex housing issues.

(Opposed) None.

Persons Testifying: Representative Walen, prime sponsor; and Penny Sweet, City of Kirkland.

Persons Signed In To Testify But Not Testifying: None.