HOUSE BILL REPORT
HB 2012

As Reported by House Committee On:
Finance

Title: An act relating to eligibility for a property tax exemption for nonprofits providing affordable rental housing built with city and county funds.

Brief Description: Concerning eligibility for a property tax exemption for nonprofits providing affordable rental housing built with city and county funds.

Sponsors: Representatives Street, Alvarado, Ryu, Ramel, Bateman, Reed, Peterson, Doglio, Lekanoff, Santos, Chopp and Hackney.

Brief History:

Committee Activity:

Finance: 1/18/24, 1/23/24 [DPS].

Brief Summary of Substitute Bill

- Expands the qualifying funding sources for the nonprofit housing property tax exemption.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Berg, Chair; Street, Vice Chair; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

Minority Report: Without recommendation. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

Staff: Rachelle Harris (786-7137).

Background:

Property Tax–Regular Levies.
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. The annual growth of all regular property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans' property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

Property Tax Exemption for Nonprofit Organizations Providing Rental Housing or Mobile Home Park Spaces to Qualifying Households.
Property tax exemptions are available to qualifying organizations, including schools, churches, nonprofit hospitals, nursing homes, museums, public meeting halls, and others.

Real and personal property that is owned or used by a nonprofit to provide rental housing for qualifying households or to provide space for the placement of a mobile home in a mobile home park is exempt from property taxation if:

- the benefit of the property tax exemption inures to the nonprofit;
- at least 75 percent of the occupied dwelling units are occupied by a qualifying household; and
- the rental housing was insured, financed, or assisted in whole or in part by a federal or state housing program, an affordable housing levy, or state-authorized affordable housing surcharges.

If less than 75 percent of dwelling units are occupied by qualifying households, the property is eligible for a partial tax exemption. The amount of the exemption is equal to the assessed value of the property reasonably necessary to provide the housing multiplied by the percentage of units occupied by a qualifying household.

A qualifying household is defined as a single person, family, or unrelated persons living together whose income is at or below 60 percent of the median county income, adjusted for family size, as determined by the Federal Department of Housing and Urban Development.

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 preferences 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 (JLARC) 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 Substitute Bill:

The property tax exemption for property owned or used by a nonprofit entity providing rental housing for qualifying households or used to provide space for the placement of a mobile home is expanded by allowing the following as qualifying funding sources:

- voter-approved levy lid lifts; and
- city or county funds that are designated for affordable housing.

The requirements for a TPPS and 10-year expiration do not apply to the act.

Substitute Bill Compared to Original Bill:

The substitute makes a clarifying language change to the city and county funds made eligible.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) These types of housing projects require large amounts of funding, and in some counties they are funded with only city or county funds. This bill allows cities and counties to use that funding for affordable housing. Current law does not keep up with how local governments are stepping up to support affordable housing. This bill supports nonprofits while having a minimal impact on other taxpayers. Nonprofit providers operate on thin margins, so all available funding possibilities are needed.

(Opposed) None.

Persons Testifying: Representative Chipalo Street, prime sponsor; Michele Thomas, Washington Low Income Housing Alliance; Kelli Larsen, City of Seattle; and Jon Grant, Low Income Housing Institute.

Persons Signed In To Testify But Not Testifying: None.