# HOUSE BILL REPORT
# SB 6013

**As Reported by House Committee On:**
Finance

**Title:** An act relating to expanding the homeownership development property tax exemption to include real property sold to low-income households for building residences using mutual self-help housing construction.

**Brief Description:** Expanding the homeownership development property tax exemption to include real property sold to low-income households for building residences using mutual self-help housing construction.

**Sponsors:** Senators Shewmake, Dhingra, Kuderer and Saldaña.

**Brief History:**

**Committee Activity:**

Finance: 2/20/24, 2/23/24 [DP].

**Brief Summary of Bill**

- Expands the property tax exemption for nonprofit low-income housing development by including real property owned by a nonprofit entity who enters into an agreement with another nonprofit to build a residence through a qualified mutual self-help housing program.

## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

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

**Background:**

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

Property Tax.

All real and personal property in the state is subject to property tax each year based on its value unless specific exemption is provided by law.  There are numerous exemptions from property tax established either by statute or constitutionally.  The largest exemption is for intangible property.  Other exemptions include churches, nonprofit hospitals, private schools and colleges, agricultural products, and affordable housing.

Property Tax Exemption for Low-Income Housing Development.

Property owned by a nonprofit or qualified cooperative associations for the purposes of developing residences 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 title to the property is transferred.  Should the nonprofit or cooperative association anticipate it will be unable to sell the property within the seven-year term, they 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:

- the nonprofit or cooperative association fails to transfer title of the property to a low-income household within the applicable exemption period; or
- the property is converted to a use other than low-income housing development.

If disqualified, 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.

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.

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**Summary of Bill:**

The property tax exemption for low-income housing development is expanded to include real property owned by a nonprofit entity who enters into an agreement with another nonprofit to build, or have built, a residence on the property through a qualified mutual self-help housing program (program).

A qualified mutual self-help program is defined as being dedicated to supporting the building of residences for low-income households through a mutual self-help construction method where low-income households use their own labor to reduce total construction costs of their residences.  The program must:

- be operated by nonprofits; and
- receive financial support from the United States Department of Agriculture's mutual self-help housing technical assistance grant program.

The exemption expires on the date of transfer of title between the nonprofit entity and the low-income household. Nonprofits must immediately notify the DOR when the exempt real property is sold to the low-income household providing the date when the title was or is anticipated to be transferred.

The exemption does not expire if the real property is transferred from one nonprofit to another nonprofit or to a qualified cooperative association as long as the transferee timely applies to the DOR and is approved for a continuation of the exemption.

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**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) The development of low-income housing while maintaining ownership of the underlying land was the driver for this policy. The self-help housing model is similar to low-income housing. Habitat for Humanity thought it was eligible for the exemption but it is not. This bill expands the exemption to include nonprofits such as Habitat for Humanity. Supplying the labor that goes towards housing development helps decrease the cost of construction. This is a useful finance tool to allow more affordable housing development. This bill is an important fix for self-help programs, and the changes in this bill keep it in line with the intention of the original policy. There is a time limit on the exemption from when the property gets sold or transferred to the homeowner. These programs are great for generating community support and effort, and allow families to gain sweat-equity and housing stability.

(Opposed) None.

(Other) The counties are in support of improving affordability and accessibility of housing. However, more exemptions are an issue for counties, because county revenues are not diversified and rely heavily on property taxes. Property taxes do not change revenues, but do force property tax shifts onto those who don’t qualify. New exemptions result in higher costs for others, which can shift the burden onto others and makes passing of levies for other services difficult. There would be support if the bill were limited to state property taxes only.

**Persons Testifying:** (In support) Senator Sharon Shewmake, prime sponsor; Chris Lambert, Catholic Charities Housing Services—Diocese of Yakima; and Justin Roche, Community Frameworks.

(Other) Paul Jewell, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** None.