

# SENATE BILL REPORT

## SB 5302

---

---

As of February 22, 2023

**Title:** An act relating to establishing a property tax exemption for adult family homes that serve people with intellectual or developmental disabilities and are owned by a nonprofit.

**Brief Description:** Establishing a property tax exemption for adult family homes that serve people with intellectual or developmental disabilities and are owned by a nonprofit.

**Sponsors:** Senators Mullet, Dhingra, Fortunato, Holy, Keiser, Lovelett, Lovick, Nguyen, Robinson, Shewmake and Wilson, C..

**Brief History:**

**Committee Activity:** Health & Long Term Care: 1/17/23 [w/oRec-HS].

Human Services: 1/30/23, 2/07/23 [DP-WM].

Ways & Means: 2/22/23.

**Brief Summary of Bill**

- Expands the property tax exemption for housing for eligible individuals with developmental disabilities when housing is provided indirectly through lease, sublet, or service agreement with a provider operating an adult family home regardless of the nonprofit status of the adult family home provider.

---

### SENATE COMMITTEE ON HUMAN SERVICES

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Wilson, C., Chair; Kauffman, Vice Chair; Boehnke, Ranking Member; Frame, Nguyen, Warnick and Wilson, J..

**Staff:** Kelsey-anne Fung (786-7479)

---

*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.*

---

## SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Property Tax Exemption. All real and personal property owned or leased by a nonprofit organization qualified for exemption under section 501(c)(3) of the federal Internal Revenue Code to provide housing for eligible persons with developmental disabilities is exempt from property taxation. The housing must be occupied by persons with a developmental disability whose adjusted gross incomes are 80 percent or less of the median income for the county, adjusted for family size. To be exempt, the property must be used exclusively to provide housing for individuals with developmental disabilities. For property that is leased, the benefit of the exemption must inure to the nonprofit organization, corporation, or association leasing the property to provide the housing for individuals with developmental disabilities.

Adult Family Homes. Adult family homes are community-based residential facilities licensed to care for up to six non-related residents. They provide room, board, laundry, necessary supervision, and assistance with activities of daily living, personal care, and social services. The Department of Social and Health Services is responsible for the oversight and licensure of adult family homes.

Tax Preferences Performance Statement. Every bill that enacts a new tax preference must include a tax preference performance statement unless the legislation specifically exempts the new tax preference from this requirement. The statement must identify the legislative purpose of the new tax preference and specify clear, relevant, and ascertainable metrics and data requirements that allow the Joint Legislative Audit and Review Committee to measure the effectiveness of the new tax preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

**Summary of Bill:** The property tax exemption for property used to provide housing for eligible individuals with developmental disabilities is expanded. The exemption is expanded to include housing provided directly by the nonprofit organization, corporation, or association, or indirectly through lease, sublet, or service agreement with a provider operating an adult family home that specifically provides services for persons with developmental disabilities, without regard to the nonprofit status of the operator of the adult family home.

The circumstances under which loan or rental of the property do not subject the property to tax do not apply to the property tax exemption for nonprofit organizations, corporations, or associations that provide housing for eligible persons with developmental disabilities.

The bill applies to taxes levied for collection beginning January 1, 2024. The bill is exempt from provisions of law that require a tax preference performance statement, review by the Joint Legislative Audit and Review Committee, and automatic expiration of new tax

preferences.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony (Human Services):** PRO: There are nonprofit organizations that raise money in the community to build adult family homes and then turn over the operation of the home to an adult family home operator so the operator does not have to worry about the cost of constructing the home. The state recently found that the property tax exemption did not apply because the operator of the adult family home was not a qualified nonprofit. This bill would address that scenario and keep nonprofit organizations with this business model successful in meeting the need for housing for individuals with developmental disabilities.

Accessible, affordable housing is already scarce for individuals with developmental disabilities, who often have low incomes and are eligible for Medicaid. Compared to the other supportive living options available, adult family home services are much more affordable, and taxing adult family homes will put pressure on other housing options. There is already a growing waitlist for adult family home spaces, and parents with children with developmental disabilities are worried about where their children will go. Adult family homes provide lifelong, sustainable housing options, and this bill will eliminate one of the more significant financial challenges with operating an adult family home.

**Persons Testifying (Human Services):** PRO: Senator Mark Mullet, Prime Sponsor; Cathy Murahashi, Community Homes; Leo Finnegan; Diana Stadden, The Arc of WA State; Jiff (Jerome) Searing, Life Enrichment Options (LEO).

**Persons Signed In To Testify But Not Testifying (Human Services):** No one.

**Staff Summary of Public Testimony (Ways & Means):** PRO: The bill clarifies that an adult family home still qualifies for the property tax exemption even if the nonprofit uses a private vendor to operate the home. Nonprofit adult homes rely heavily on charitable donations and those are not always enough to cover property taxes. Clarification of the property tax for these homes is essential to keeping them open and operational. The homes that qualify for this property tax exemption serve very low-income persons who are Medicaid eligible. The bill ensures adult family homes are viable and stay open. The state needs more housing for persons with developmental disabilities, not less.

**Persons Testifying (Ways & Means):** PRO: Senator Mark Mullet, Prime Sponsor; Cathy

Murahashi, Community Homes; Mike Ernst, Board President - Life Enrichment Options (LEO).

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.