
SUBSTITUTE SENATE BILL 5045

State of Washington

68th Legislature

2023 Regular Session

By Senate Housing (originally sponsored by Senators Kuderer, Dhingra, Holy, Hunt, Lias, Nguyen, Nobles, Randall, Rolfes, Shewmake, Wellman, and C. Wilson)

READ FIRST TIME 01/26/23.

1 AN ACT Relating to incentivizing rental of accessory dwelling
2 units to low-income households; amending RCW 84.36.400; creating new
3 sections; and providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 84.36.400 and 2020 c 204 s 1 are each amended to
6 read as follows:

7 (1) Any physical improvement to single-family dwellings upon real
8 property, including constructing an accessory dwelling unit, whether
9 attached to or within the single-family dwelling or as a detached
10 unit on the same real property, shall be exempt from taxation for the
11 three assessment years subsequent to the completion of the
12 improvement to the extent that the improvement represents ~~((thirty))~~
13 30 percent or less of the value of the original structure. A taxpayer
14 desiring to obtain the exemption granted by this section must file
15 notice of his or her intention to construct the improvement prior to
16 the improvement being made on forms prescribed by the department of
17 revenue and furnished to the taxpayer by the county assessor(~~(+~~
18 PROVIDED, That this)). The exemption in this subsection cannot be
19 claimed more than once in a five-year period.

1 The department of revenue shall promulgate such rules and
2 regulations as are necessary and convenient to properly administer
3 the provisions of this (~~section~~) subsection (1).

4 (2)(a) A county legislative authority for a county with a
5 population of 1,500,000 or more may exempt from taxation the value of
6 an accessory dwelling unit if the following conditions are met:

7 (i) The improvement represents 30 percent or less of the value of
8 the original structure;

9 (ii) The taxpayer demonstrates that the unit is maintained as a
10 rental property for low-income households. For the purposes of this
11 subsection, "low-income household" means a single person, family, or
12 unrelated persons living together whose adjusted income is at or
13 below 60 percent of the median household income adjusted for
14 household size, for the county where the household is located, as
15 reported by the United States department of housing and urban
16 development;

17 (iii) The taxpayer files notice of the taxpayer's intention to
18 participate in the exemption program on forms prescribed by and
19 furnished to the taxpayer by the county assessor; and

20 (iv) Rent charged to a tenant does not exceed more than 30
21 percent of the tenant's monthly income.

22 (b) An exemption granted under this subsection (2) may continue
23 for as long as the exempted accessory dwelling unit is leased to a
24 low-income household.

25 (c) A county legislative authority that has opted to exempt
26 accessory dwelling units under this subsection (2) may:

27 (i) Allow the exemption for dwelling units that are attached to
28 or within a single-family dwelling or are detached units on the same
29 real property, or both;

30 (ii) Collect a fee from the taxpayer to cover the costs of
31 administering this subsection (2);

32 (iii) Designate administrative officials or agents that will
33 verify that both the low-income household and the taxpayer are in
34 compliance with the requirements of this subsection (2). The
35 designated official or agent may not be the county assessor but may
36 include housing authorities or other qualified organizations as
37 determined by the county legislative authority; and

38 (iv) Determine what property tax and penalties will be due, if
39 any, in the case of a finding of noncompliance by a taxpayer.

1 NEW SECTION. **Sec. 2.** (1) This section is the tax preference
2 performance statement for the tax preference contained in section 1,
3 chapter . . . , Laws of 2023 (section 1 of this act). This performance
4 statement is only intended to be used for subsequent evaluation of
5 the tax preference. It is not intended to create a private right of
6 action by any party or to be used to determine eligibility for
7 preferential tax treatment.

8 (2) The legislature categorizes this tax preference as:

9 (a) One intended to induce certain designated behavior by
10 taxpayers as indicated in RCW 82.32.808(2) (a); and

11 (b) A general purpose not identified in RCW 82.32.808(2) (a)
12 through (e) as indicated in RCW 82.32.808(2) (f) and further described
13 in subsection (3) of this section.

14 (3) It is the legislature's specific public policy objective to
15 encourage homeowners to rent accessory dwelling units to low-income
16 households and increase the overall availability of affordable
17 housing.

18 (4) (a) The joint legislative audit and review committee must
19 review the tax preference under section 1, chapter . . . , Laws of
20 2023 (section 1 of this act) as it applies specifically to the
21 property tax exemption for accessory dwelling units and complete a
22 final report by December 1, 2029. The review must include, at a
23 minimum, the following components:

24 (i) Costs and benefits associated with exempting from taxation
25 the value of an accessory dwelling unit. This component of the
26 analysis must, at a minimum, assess the costs and benefits of changes
27 in the following metrics since the start of the program:

28 (A) The number of taxpayers filing notice to participate in the
29 exemption program;

30 (B) The number of units exempt from property tax under the
31 program, including the extent to which those units are attached or
32 within a single-family dwelling or are detached units; and

33 (C) A summary of any fees or costs to administer the program;

34 (ii) An evaluation of the information calculated and provided by
35 the department under RCW 36.70A.070(2) (a);

36 (iii) A summary of the estimated total statewide costs and
37 benefits attributable to exempting from taxation the value of an
38 accessory dwelling unit, including administrative costs and costs to
39 monitor compliance; and

1 (iv) An evaluation of the impacts of the program on low-income
2 households.

3 (b) If the review finds that a county with a population greater
4 than 1,500,000 offers this exemption and the exemption increases the
5 amount of accessory dwelling units rented to low-income households,
6 then the legislature intends to extend the expiration date of this
7 tax preference.

8 (5) In order to obtain the data necessary to perform the review
9 in subsection (4) of this section, the joint legislative audit and
10 review committee may refer to any data collected by the state.

11 NEW SECTION. **Sec. 3.** This act expires January 1, 2034.

12 NEW SECTION. **Sec. 4.** This act applies to taxes levied for
13 collection in 2024 and thereafter.

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