
SUBSTITUTE SENATE BILL 5532

State of Washington

56th Legislature

1999 Regular Session

By Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators McAuliffe, Costa, B. Sheldon, Winsley, Thibaudeau, Finkbeiner, Brown, Long, Haugen, Fairley, Gardner and Kohl-Welles)

Read first time 03/03/99.

1 AN ACT Relating to exemption of property taxes for assisted
2 housing; reenacting and amending RCW 84.36.805 and 84.36.810; adding a
3 new section to chapter 84.36 RCW; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.36 RCW
6 to read as follows:

7 (1) The real and personal property owned or used by a nonprofit
8 entity and used to provide rental housing for very low-income
9 households is exempt from taxation if:

10 (a) All of the occupied dwelling units in the rental housing are
11 occupied by very low-income households;

12 (b) The rental housing program was assisted by the department of
13 community, trade, and economic development, including but not limited
14 to those assisted under chapter 43.185 RCW; or

15 (c) The rental housing program was assisted by funds obtained
16 through an affordable housing levy authorized under RCW 84.52.105.

17 (2) If less than one hundred percent of the dwelling units are
18 occupied by very low-income households, the rental housing used to
19 provide housing for very low-income households is eligible for a

1 partial exemption on the real property and a total exemption of the
2 housing's personal property as follows:

3 (a) The partial exemption shall be allowed for each dwelling unit
4 in the rental housing occupied by very low-income households.

5 (b) The amount of exemption shall be calculated by multiplying the
6 assessed value of the property reasonably necessary to provide the
7 rental housing by a fraction. The numerator of the fraction is the
8 number of dwelling units occupied by very low-income households as of
9 December 31st of the year for which the exemption is claimed. The
10 denominator of the fraction is the total number of occupied dwelling
11 units as of December 31st of the year for which exemption is claimed.

12 (3) The nonprofit entity must certify to the department of revenue
13 the total number of occupied dwelling units, and the total number of
14 dwelling units occupied by low-income households by January 31st of the
15 assessment year immediately following the year for which the exemption
16 is claimed. This certification shall be made on a form prescribed by
17 the department of revenue and signed by an authorized agent of the
18 applicant.

19 (4) Rental housing for very low-income households is exempt from
20 property taxation only if the organization, association, or corporation
21 operating the housing is exempt from income tax under section 501(c) of
22 the federal internal revenue code.

23 (5) To be exempt under this section, the property must be used
24 exclusively for the purposes for which exemption is granted, except as
25 provided in RCW 84.36.805.

26 (6) The nonprofit entity qualifying for the exemption under this
27 section by providing rental housing for very low-income households may
28 agree to make payments to the city, county, or other political
29 subdivision for improvements, services, and facilities furnished by the
30 city, county, or political subdivision for the benefit of the rental
31 housing. However, these payments shall not exceed the amount last
32 levied as the annual tax of the city, county, or political subdivision
33 upon the property prior to exemption.

34 (7) As used in this section:

35 (a) "Nonprofit" has the same meaning as provided in RCW 84.36.800
36 and includes a limited partnership where the nonprofit or public
37 corporation established under RCW 35.21.660, 35.21.670, or 35.21.730
38 through 35.21.755 is a general partner, or a limited liability company
39 where the nonprofit or public corporation is a managing member;

1 (b) "Federally assisted housing" has the same meaning as in RCW
2 59.28.020;

3 (c) "Occupied dwelling unit" means a living unit that is occupied
4 on December 31st of the year for which the claim for exemption is
5 submitted;

6 (d) "Rental housing" means residential housing that is occupied but
7 not owned by very low-income households; and

8 (e) "Very low-income households" means a single person, family, or
9 unrelated persons living together whose income is at or below fifty
10 percent of the median income adjusted for family size as most recently
11 determined by the federal department of housing and urban development
12 for the county in which the rental housing is located and in effect as
13 of January 1st of the year the application for exemption is submitted.

14 **Sec. 2.** RCW 84.36.805 and 1998 c 311 s 25, 1998 c 202 s 3, and
15 1998 c 184 s 2 are each reenacted and amended to read as follows:

16 In order to be exempt pursuant to RCW 84.36.030, 84.36.035,
17 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,
18 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480, 84.36.550,
19 (~~and~~) 84.36.042, and section 1 of this act, the nonprofit
20 organizations, associations, or corporations shall satisfy the
21 following conditions:

22 (1) The property is used exclusively for the actual operation of
23 the activity for which exemption is granted, unless otherwise provided,
24 and does not exceed an amount reasonably necessary for that purpose,
25 except:

26 (a) The loan or rental of the property does not subject the
27 property to tax if:

28 (i) The rents and donations received for the use of the portion of
29 the property are reasonable and do not exceed the maintenance and
30 operation expenses attributable to the portion of the property loaned
31 or rented; and

32 (ii) Except for the exemptions under RCW 84.36.030(4) and
33 84.36.037, the property would be exempt from tax if owned by the
34 organization to which it is loaned or rented;

35 (b) The use of the property for fund-raising activities does not
36 subject the property to tax if the fund-raising activities are
37 consistent with the purposes for which the exemption is granted;

1 (2) The property is irrevocably dedicated to the purpose for which
2 exemption has been granted, and on the liquidation, dissolution, or
3 abandonment by said organization, association, or corporation, said
4 property will not inure directly or indirectly to the benefit of any
5 shareholder or individual, except a nonprofit organization,
6 association, or corporation which too would be entitled to property tax
7 exemption. This property need not be irrevocably dedicated if it is
8 leased or rented to those qualified for exemption pursuant to RCW
9 84.36.035, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,
10 (~~or~~) 84.36.042, or section 1 of this act, or those qualified for
11 exemption as an association engaged in the production or performance of
12 musical, dance, artistic, dramatic, or literary works pursuant to RCW
13 84.36.060, but only if under the terms of the lease or rental agreement
14 the nonprofit organization, association, or corporation receives the
15 benefit of the exemption;

16 (3) The facilities and services are available to all regardless of
17 race, color, national origin or ancestry;

18 (4) The organization, association, or corporation is duly licensed
19 or certified where such licensing or certification is required by law
20 or regulation;

21 (5) Property sold to organizations, associations, or corporations
22 with an option to be repurchased by the seller shall not qualify for
23 exempt status;

24 (6) The director of the department of revenue shall have access to
25 its books in order to determine whether such organization, association,
26 or corporation is exempt from taxes within the intent of RCW 84.36.030,
27 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
28 84.36.046, 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480,
29 (~~and~~) 84.36.042, and section 1 of this act.

30 **Sec. 3.** RCW 84.36.810 and 1998 c 311 s 26 and 1998 c 202 s 4 are
31 each reenacted and amended to read as follows:

32 (1) Upon cessation of a use under which an exemption has been
33 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
34 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550, (~~and~~)
35 84.36.042, and section 1 of this act, the county treasurer shall
36 collect all taxes which would have been paid had the property not been
37 exempt during the three years preceding, or the life of such exemption,
38 if such be less, together with the interest at the same rate and

1 computed in the same way as that upon delinquent property taxes. Where
2 the property has been granted an exemption for more than ten years,
3 taxes and interest shall not be assessed under this section.

4 (2) Subsection (1) of this section applies only when ownership of
5 the property is transferred or when fifty-one percent or more of the
6 area of the property has lost its exempt status. The additional tax
7 under subsection (1) of this section shall not be imposed if the
8 cessation of use resulted solely from:

9 (a) Transfer to a nonprofit organization, association, or
10 corporation for a use which also qualifies and is granted exemption
11 under the provisions of chapter 84.36 RCW;

12 (b) A taking through the exercise of the power of eminent domain,
13 or sale or transfer to an entity having the power of eminent domain in
14 anticipation of the exercise of such power;

15 (c) Official action by an agency of the state of Washington or by
16 the county or city within which the property is located which disallows
17 the present use of such property;

18 (d) A natural disaster such as a flood, windstorm, earthquake, or
19 other such calamity rather than by virtue of the act of the
20 organization, association, or corporation changing the use of such
21 property;

22 (e) Relocation of the activity and use of another location or site
23 except for undeveloped properties of camp facilities exempted under RCW
24 84.36.030;

25 (f) Cancellation of a lease on property that had been exempt under
26 RCW 84.36.040, 84.36.041, 84.36.043, 84.36.046, 84.36.060, ~~((or))~~
27 84.36.042, or section 1 of this act;

28 (g) A change in the exempt portion of a home for the aging under
29 RCW 84.36.041(3), as long as some portion of the home remains exempt~~((or~~

30 ~~(h) The conversion of a full exemption of a home for the aging to
31 a partial exemption or taxable status or the conversion of a partial
32 exemption to taxable status under RCW 84.36.041(8)))).~~

33 NEW SECTION. **Sec. 4.** The department of community, trade, and
34 economic development shall immediately notify all owners of federally
35 assisted housing of the availability of this tax exemption. The
36 department shall also prepare an annual report addressing the cost of
37 this tax exemption and its effectiveness in preserving federally
38 assisted housing in the state of Washington.

1 NEW SECTION. **Sec. 5.** This act applies to taxes levied in 1999 for
2 collection in 2000 and thereafter.

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