
Finance Committee

HB 2594

Brief Description: Simplifying the taxation of amenities owned by homeowners' associations.

Sponsors: Representatives MacEwen and Muri.

Brief Summary of Bill

- Exempts homeowners' association charges paid by members for the use of amenities, common areas, facilities, or other entities from the sales and use tax.

Hearing Date: 1/26/16

Staff: Sarah Emmans (786-7288).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Homeowners' Association.

A homeowners' association is a legal entity with membership comprised of the owners of residential real property located within a development or other specified area. An association typically arises from restrictive covenants recorded by a developer against property in a subdivision. A board of directors, elected by the members, manages the association. In general, the purpose of an association is to manage and maintain a subdivision's common areas and structures, to review design, and to maintain architectural control. A homeowners' association has authority to impose restrictions on the members of the association, but not over nonmembers.

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

Many developments with homeowners' associations contain common areas, such as roads, swimming pools, golf courses, or green belts that the homeowners' association owns and maintains.

Homeowners' associations may charge dues, which may take the form of an assessment upon members in an amount necessary to pay for budgeted expenditure level for care of common areas. Homeowners' associations may also charge fees or rentals for the usage of common areas and amenities. Under current statute, homeowners' associations are required to collect and remit sales tax on any charges or portions of charges that are for taxable activities, whether collected from members or non-members.

Summary of Bill:

Charges paid by a member of a homeowners' association for the use of an amenity, common area, facility, or other entity owned by the association are exempt from sales and use tax.

The tax preference is characterized as one intended to correct a structural inefficiency in the tax code, and is exempted from the Joint Legislative Audit and Review Commission review and from the automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Applies to charges paid on or after July 1, 2016.