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**SUBSTITUTE HOUSE BILL 2003**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** House Finance (originally sponsored by Representatives Connors, Leavitt, Klicker, Couture, Schmidt, Chapman, Graham, Peterson, Sandlin, Reeves, and Shavers; by request of Department of Natural Resources)

AN ACT Relating to an exemption to the leasehold excise tax for leases on public lands; adding a new section to chapter 82.29A RCW; and creating new sections.

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

NEW SECTION. **Sec.**  A new section is added to chapter 82.29A RCW to read as follows:

(1) All leasehold interests in public lands are exempt from tax under this chapter, for the duration of the lease, when used for the placement of affordable housing under the following conditions:

(a) A lessee must commit to renting or selling 100 percent of the units as permanently affordable for low-income and moderate-income households; and

(b) The term of the lease is at least 20 years.

(2) The department of natural resources may adopt rules, pursuant to chapter 34.05 RCW, as are necessary to properly administer this section.

(3) For purposes of this section:

(a) "Affordable housing" has the same meaning as in RCW 84.14.010.

(b) "Low-income household" has the same meaning as in RCW 84.14.010.

(c) "Moderate-income household" has the same meaning as in RCW 84.14.010.

(d) "Public lands" has the same meaning as in RCW 79.02.010.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preference contained in section 1, chapter . . ., Laws of 2024 (section 1 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes these tax preferences as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to incentivize the placement of affordable housing on public lands.

(4) If a review by the joint legislative audit and review committee finds that the number of affordable housing units placed on public lands increased following the enactment of this tax preference, the legislature intends to extend the expiration date of the tax preference.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to the number of new leasehold agreements on public lands for the purposes of affordable housing.

NEW SECTION. **Sec.**  RCW 82.32.805 does not apply to this act.

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