# FINAL BILL REPORT
# SHB 2012

**C 113 L 24**
Synopsis as Enacted

**Brief Description:** Concerning eligibility for a property tax exemption for nonprofits providing affordable rental housing built with city and county funds.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Street, Alvarado, Ryu, Ramel, Bateman, Reed, Peterson, Doglio, Lekanoff, Santos, Chopp and Hackney).

**House Committee on Finance**
**Senate Committee on Housing**
**Senate Committee on Ways & Means**

**Background:**

<u>Property Tax–Regular Levies</u>.
All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:
- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans' property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

<u>Property Tax Exemption for Nonprofit Organizations Providing Rental Housing or Mobile Home Park Spaces to Qualifying Households</u>.
Property tax exemptions are available to qualifying organizations, including schools, churches, nonprofit hospitals, nursing homes, museums, public meeting halls, and others.

*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.*

Real and personal property that is owned or used by a nonprofit to provide rental housing for qualifying households or to provide space for the placement of a mobile home in a mobile home park is exempt from property taxation if:

- the benefit of the property tax exemption inures to the nonprofit;
- at least 75 percent of the occupied dwelling units are occupied by a qualifying household; and
- the rental housing was insured, financed, or assisted in whole or in part by a federal or state housing program, an affordable housing levy, or state-authorized affordable housing surcharges.

If less than 75 percent of dwelling units are occupied by qualifying households, the property is eligible for a partial tax exemption. The amount of the exemption is equal to the assessed value of the property reasonably necessary to provide the housing multiplied by the percentage of units occupied by a qualifying household.

A qualifying household is defined as a single person, family, or unrelated persons living together whose income is at or below 60 percent of the median county income, adjusted for family size, as determined by the Federal Department of Housing and Urban Development.

<u>Tax Preference Performance Statement</u>.
State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preferences must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary:**

The property tax exemption for property owned or used by a nonprofit entity providing rental housing for qualifying households or used to provide space for the placement of a mobile home is expanded by allowing the following as qualifying funding sources:

- voter-approved levy lid lifts; and
- city or county funds that are designated for affordable housing.

The requirements for a TPPS and 10-year expiration do not apply to the act.

**Votes on Final Passage:**

House 69 28

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| Senate | 36 | 13 |

**Effective:** June 6, 2024