SENATE BILL REPORT
SHB 2012

As Reported by Senate Committee On:
Housing, February 16, 2024

Title: An act relating to eligibility for a property tax exemption for nonprofits providing affordable rental housing built with city and county funds.

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).

Brief History: Passed House: 2/12/24, 69-28.
Committee Activity: Housing: 2/16/24.

Brief Summary of Bill

- Expands the property tax exemption for nonprofit organizations providing rental housing or mobile home park spaces to qualifying households by allowing nonprofit organizations to receive funding from additional sources.

SENATE COMMITTEE ON HOUSING

Staff: Samantha Doyle (786-7335)

Background: Property Tax—Revenue Limits. 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; and
- for jurisdictions with a population of 10,000 or more, revenue growth is limited to the

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lesser of inflation or 1 percent plus the value of new construction.

The Washington Constitution provides for a levy rate limit of $10 per $1,000 of assessed value (AV), sometimes referred to as the constitutional $10 limit, or the constitutional 1 percent limit. There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- the state levy rate is limited to $3.60 per $1,000 of AV;
- county general levies are limited to $1.80 per $1,000 of AV;
- county road levies are limited to $2.25 per $1,000 of AV; and
- city levies are limited to $3.375 per $1,000 of AV.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Property Tax Exemption for Nonprofit Organizations Providing Rental Housing or Mobile Home Park Spaces to Qualifying Households. Property tax exemptions are available to qualifying organizations, including schools, churches, nonprofit hospitals, nursing homes, museums, public meeting halls, and others. Property 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 or lots were insured, financed, or assisted in whole or in part by:
    1. a federal or state housing program administered by the Department of Commerce;
    2. a federal housing program administered by a city or county government;
    3. an affordable housing levy authorized by a declaration of emergency;
    4. document recording or homeless housing and assistance surcharges; or
    5. funding from the Washington State Housing Finance Commission.

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.

Tax Preference Performance Statement. 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. Legislation that establishes or expands a tax preference 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 ten years unless provided otherwise.

Summary of Bill: The property tax exemption for real and personal 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 to include an additional qualified funding source. Rental housing or lots in a mobile home park that were insured, financed, or assisted in whole or in part through the following additional funding sources: voter-approved limited proposition levies and city or county funds designated for affordable housing.

The requirements for a TPPS and JLARC review do not apply to this act. This tax preference does not expire.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.