

# SENATE BILL REPORT

## SB 6013

---

---

As of January 19, 2024

**Title:** An act relating to expanding the homeownership development property tax exemption to include real property sold to low-income households for building residences using mutual self-help housing construction.

**Brief Description:** Expanding the homeownership development property tax exemption to include real property sold to low-income households for building residences using mutual self-help housing construction.

**Sponsors:** Senators Shewmake, Dhingra, Kuderer and Saldaña.

**Brief History:**

**Committee Activity:** Housing: 1/19/24.

**Brief Summary of Bill**

- Exempts a nonprofit entity for the purpose of selling the real property to a low-income household who enters into an agreement with the nonprofit to build through a qualified mutual self-help housing program, a residence on the real property.
- Clarifies that the exemption expires at the date of title transfer to a low-income household.

---

### SENATE COMMITTEE ON HOUSING

**Staff:** Samantha Doyle (786-7335)

**Background:** Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law. There are numerous exemptions from property tax established either by statute or constitutionally. Exemptions include intangible property, churches, nonprofit hospitals,

---

*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.*

private schools and colleges, agricultural products, and affordable housing.

Property Tax Exemption for Low-Income Housing Development. Property owned by a nonprofit or a qualified cooperative association for the purposes of developing residences for low-income households is exempt from state and local property taxes for a limited term. As long as the property remains held for the purpose of low-income housing development, the exemption lasts for seven consecutive tax years, unless an extension is granted, or until the nonprofit transfers title to the property. The tax preference exemption will expire January 1, 2038.

The exemption expires on the date on which the nonprofit entity transfers title to the single-family dwelling unit or the date on which the qualified cooperative association first conveys, directly or indirectly through the transfer of an ownership interest in the association, any single-family dwelling unit on the property or any part of the property. The exemption will not expire because of the real property being transferred by one nonprofit entity to another nonprofit entity or to a qualified cooperative association so long as the transferee timely applies to the Department of Revenue for a continuation.

**Summary of Bill:** The property tax exemption for real property is expanded to include real property owned by a nonprofit entity who enters into an agreement with another nonprofit to build, or have built, through a qualified mutual self-help housing program a residence on the real property. A qualified mutual self-help program (program) is dedicated to supporting building of residences for low-income households through a mutual self-help construction method where low-income households use their own labor to reduce total construction costs of their residences. The program must be:

- operated by nonprofits; and
- receive financial support from the United States Department of Agriculture's mutual self-help housing technical assistance grant program.

The exemption expires on the date of transfer of title between the nonprofit entity and the low-income household. Nonprofits must immediately notify the Department of Revenue when the exempt real property is sold to the low-income household providing the date when the title was or is anticipated to be transferred.

The exemption does not expire if the real property is transferred from one nonprofit to another nonprofit or to a qualified cooperative association as long as the transferee timely applies to the Department of Revenue and is approved for a continuation of the exemption.

**Appropriation:** None.

**Fiscal Note:** Requested on January 10, 2024.

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

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

**Staff Summary of Public Testimony:** PRO: Housing developers like community land trusts can buy land, develop it and then sell it to low-income households. These nonprofits are currently exempt from property tax during this process. However, if a land trust, nonprofit, buys the land and then sells to a low-income household that wishes to do a self-help model of building the residence themselves, the nonprofit will owe back taxes on the property. This bill hopes to fix that, so that nonprofits will be able to afford working with households that want to participate in the self-help model of homeownership.

CON: While we generally support housing needs, this property tax exemption would lead to tax shifts to property tax payers in the district. It reduces funds available to the community. We ask that this bill be limited to just state taxes and give counties and municipalities the flexibility to decide.

**Persons Testifying:** PRO: Senator Sharon Shewmake, Prime Sponsor.

CON: Paul Jewell, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** No one.