

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE SENATE BILL 5045

Chapter 335, Laws of 2023

68th Legislature
2023 Regular Session

PROPERTY TAXES—ACCESSORY DWELLING UNITS—LOW-INCOME HOUSEHOLDS

EFFECTIVE DATE: July 23, 2023

Passed by the Senate April 13, 2023
Yeas 40 Nays 7

DENNY HECK

President of the Senate

Passed by the House April 7, 2023
Yeas 59 Nays 38

LURIE JINKINS

**Speaker of the House of
Representatives**

Approved May 8, 2023 1:14 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 5045** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

Secretary

FILED

May 10, 2023

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE SENATE BILL 5045

AS AMENDED BY THE HOUSE

Passed Legislature - 2023 Regular Session

State of Washington **68th Legislature** **2023 Regular Session**

By Senate Ways & Means (originally sponsored by Senators Kuderer, Dhingra, Holy, Hunt, Lias, Nguyen, Nobles, Randall, Rolfes, Shewmake, Wellman, and C. Wilson)

READ FIRST TIME 02/17/23.

1 AN ACT Relating to incentivizing rental of accessory dwelling
2 units to low-income households; amending RCW 84.36.400; creating new
3 sections; and providing an expiration date.

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

5 **Sec. 1.** RCW 84.36.400 and 2020 c 204 s 1 are each amended to
6 read as follows:

7 (1) Any physical improvement to single-family dwellings upon real
8 property, including constructing an accessory dwelling unit, whether
9 attached to or within the single-family dwelling or as a detached
10 unit on the same real property, shall be exempt from taxation for the
11 three assessment years subsequent to the completion of the
12 improvement to the extent that the improvement represents ~~((thirty))~~
13 30 percent or less of the value of the original structure. A taxpayer
14 desiring to obtain the exemption granted by this section must file
15 notice of his or her intention to construct the improvement prior to
16 the improvement being made on forms prescribed by the department of
17 revenue and furnished to the taxpayer by the county assessor(~~(=~~
18 ~~PROVIDED, That this)~~). The exemption in this subsection cannot be
19 claimed more than once in a five-year period.

1 The department of revenue shall promulgate such rules and
2 regulations as are necessary and convenient to properly administer
3 the provisions of this (~~section~~) subsection (1).

4 (2)(a) A county legislative authority for a county with a
5 population of 1,500,000 or more may exempt from taxation the value of
6 an accessory dwelling unit if the following conditions are met:

7 (i) The improvement represents 30 percent or less of the value of
8 the original structure;

9 (ii) The taxpayer demonstrates that the unit is maintained as a
10 rental property for low-income households. For the purposes of this
11 subsection, "low-income household" means a single person, family, or
12 unrelated persons living together whose adjusted income is at or
13 below 60 percent of the median household income adjusted for
14 household size, for the county where the household is located, as
15 reported by the United States department of housing and urban
16 development;

17 (iii) The taxpayer files notice of the taxpayer's intention to
18 participate in the exemption program on forms prescribed by and
19 furnished to the taxpayer by the county assessor;

20 (iv) Rent charged to a tenant does not exceed more than 30
21 percent of the tenant's monthly income; and

22 (v) The accessory dwelling unit is not occupied by an immediate
23 family member of the taxpayer. For purposes of this subsection
24 (2)(a), "immediate family" means any person under age sixty that is a
25 state registered domestic partner, spouse, parents, grandparents,
26 children, including foster children, siblings, and in-laws.

27 (b) An exemption granted under this subsection (2) may continue
28 for as long as the exempted accessory dwelling unit is leased to a
29 low-income household.

30 (c) A county legislative authority that has opted to exempt
31 accessory dwelling units under this subsection (2) may:

32 (i) Allow the exemption for dwelling units that are attached to
33 or within a single-family dwelling or are detached units on the same
34 real property, or both;

35 (ii) Collect a fee from the taxpayer to cover the costs of
36 administering this subsection (2);

37 (iii) Designate administrative officials or agents that will
38 verify that both the low-income household and the taxpayer are in
39 compliance with the requirements of this subsection (2). The
40 designated official or agent may not be the county assessor but may

1 include housing authorities or other qualified organizations as
2 determined by the county legislative authority; and

3 (iv) Determine what property tax and penalties will be due, if
4 any, in the case of a finding of noncompliance by a taxpayer.

5 (d) A county legislative authority that has opted to exempt
6 accessory dwelling units under this subsection (2) shall establish
7 policies to assist and support tenants upon expiration of an
8 exemption granted under this subsection.

9 NEW SECTION. Sec. 2. (1) This section is the tax preference
10 performance statement for the tax preference contained in section 1,
11 chapter . . ., Laws of 2023 (section 1 of this act). This performance
12 statement is only intended to be used for subsequent evaluation of
13 the tax preference. It is not intended to create a private right of
14 action by any party or to be used to determine eligibility for
15 preferential tax treatment.

16 (2) The legislature categorizes this tax preference as:

17 (a) One intended to induce certain designated behavior by
18 taxpayers as indicated in RCW 82.32.808(2)(a); and

19 (b) A general purpose not identified in RCW 82.32.808(2)(a)
20 through (e) as indicated in RCW 82.32.808(2)(f) and further described
21 in subsection (3) of this section.

22 (3) It is the legislature's specific public policy objective to
23 encourage homeowners to rent accessory dwelling units to low-income
24 households and increase the overall availability of affordable
25 housing.

26 (4)(a) The joint legislative audit and review committee must
27 review the tax preference under section 1, chapter . . ., Laws of
28 2023 (section 1 of this act) as it applies specifically to the
29 property tax exemption for accessory dwelling units and complete a
30 final report by December 1, 2029. The review must include, at a
31 minimum, the following components:

32 (i) Costs and benefits associated with exempting from taxation
33 the value of an accessory dwelling unit. This component of the
34 analysis must, at a minimum, assess the costs and benefits of changes
35 in the following metrics since the start of the program:

36 (A) The number of taxpayers filing notice to participate in the
37 exemption program;

1 (B) The number of units exempt from property tax under the
2 program, including the extent to which those units are attached or
3 within a single-family dwelling or are detached units; and

4 (C) A summary of any fees or costs to administer the program;

5 (ii) An evaluation of the information calculated and provided by
6 the department under RCW 36.70A.070(2)(a);

7 (iii) A summary of the estimated total statewide costs and
8 benefits attributable to exempting from taxation the value of an
9 accessory dwelling unit, including administrative costs and costs to
10 monitor compliance; and

11 (iv) An evaluation of the impacts of the program on low-income
12 households.

13 (b) If the review finds that a county with a population greater
14 than 1,500,000 offers this exemption and the exemption increases the
15 amount of accessory dwelling units rented to low-income households,
16 then the legislature intends to extend the expiration date of this
17 tax preference.

18 (5) In order to obtain the data necessary to perform the review
19 in subsection (4) of this section, the joint legislative audit and
20 review committee may refer to any data collected by the state.

21 NEW SECTION. **Sec. 3.** This act expires January 1, 2034.

22 NEW SECTION. **Sec. 4.** This act applies to taxes levied for
23 collection in 2024 and thereafter.

Passed by the Senate April 13, 2023.

Passed by the House April 7, 2023.

Approved by the Governor May 8, 2023.

Filed in Office of Secretary of State May 10, 2023.

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