

RCW 84.36.400 Improvements to single-family dwellings—Accessory dwelling units rented to low-income households in a county with a population of 1,500,000 or more. (Effective until January 1, 2034.)

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Designate administrative officials or agents that will verify that both the low-income household and the taxpayer are in compliance with the requirements of this subsection (2). The designated official or agent may not be the county assessor but may include housing authorities or other qualified organizations as determined by the county legislative authority; and

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

(d) A county legislative authority that has opted to exempt accessory dwelling units under this subsection (2) shall establish policies to assist and support tenants upon expiration of an exemption granted under this subsection. [2023 c 335 § 1; 2020 c 204 § 1; 2013 c 23 § 350; 1972 ex.s. c 125 § 3.]

Tax preference performance statement—2023 c 335 § 1: "(1) This section is the tax preference performance statement for the tax preference contained in section 1, chapter 335, Laws of 2023. 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 to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as:

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

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

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

(4)(a) The joint legislative audit and review committee must review the tax preference under section 1, chapter 335, Laws of 2023 as it applies specifically to the property tax exemption for accessory dwelling units and complete a final report by December 1, 2029. The review must include, at a minimum, the following components:

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

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

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

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

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

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

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

(b) If the review finds that a county with a population greater than 1,500,000 offers this exemption and the exemption increases the amount of accessory dwelling units rented to low-income households, then the legislature intends to extend the expiration date of this 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 any data collected by the state." [2023 c 335 § 2.]

Expiration date—2023 c 335: "This act expires January 1, 2034." [2023 c 335 § 3.]

Application—2023 c 335: "This act applies to taxes levied for collection in 2024 and thereafter." [2023 c 335 § 4.]

Application—2020 c 204: "This act applies to taxes levied for collection in 2021 and thereafter." [2020 c 204 § 2.]

Automatic expiration date and tax preference performance statement exemption—2020 c 204: "The provisions of RCW 82.32.805 and 82.32.808 do not apply to this act." [2020 c 204 § 3.]

Report to legislature—2020 c 204: "The department of revenue must work with county assessors to review and evaluate the three year property tax exemption for home improvements to determine its effectiveness in encouraging homeowners to upgrade their residences, while avoiding the sudden and potentially large increases in assessed value and property tax which can otherwise occur. The review shall include an analysis of the types of properties and the value of exempt improvements by geographic area to develop a better demographic and geographic understanding of the home improvement property tax exemption and the locations and types of communities where the homes are located. The department of revenue must report their findings to the appropriate committees of the legislature by November 15, 2020." [2020 c 204 § 4.]

Severability—1972 ex.s. c 125: See note following RCW 84.40.045.

RCW 84.36.400 Improvements to single-family dwellings.
(Effective January 1, 2034.) Any physical improvement to single-family dwellings upon real property, including constructing an accessory dwelling unit, whether attached to or within the single-family dwelling or as a detached unit on the same real property, shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement to the extent that the improvement represents thirty percent or less of the value of the original structure. A taxpayer desiring to obtain the exemption granted by this section must file notice of his or her intention to construct the improvement prior to the improvement being made on forms prescribed by the department of revenue and furnished to the taxpayer by the county assessor: PROVIDED, That this exemption cannot be claimed more than once in a five-year period.

The department of revenue shall promulgate such rules and regulations as are necessary and convenient to properly administer the provisions of this section. [2020 c 204 § 1; 2013 c 23 § 350; 1972 ex.s. c 125 § 3.]

Application—2020 c 204: "This act applies to taxes levied for collection in 2021 and thereafter." [2020 c 204 § 2.]

Automatic expiration date and tax preference performance

statement exemption—2020 c 204: "The provisions of RCW 82.32.805 and 82.32.808 do not apply to this act." [2020 c 204 § 3.]

Report to legislature—2020 c 204: "The department of revenue must work with county assessors to review and evaluate the three year property tax exemption for home improvements to determine its effectiveness in encouraging homeowners to upgrade their residences, while avoiding the sudden and potentially large increases in assessed value and property tax which can otherwise occur. The review shall include an analysis of the types of properties and the value of exempt improvements by geographic area to develop a better demographic and geographic understanding of the home improvement property tax exemption and the locations and types of communities where the homes are located. The department of revenue must report their findings to the appropriate committees of the legislature by November 15, 2020." [2020 c 204 § 4.]

Severability—1972 ex.s. c 125: See note following RCW 84.40.045.