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SENATE BILL 6013

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State of Washington

68th Legislature

2024 Regular Session

By Senator Shewmake

Prefiled 01/05/24.

1 AN ACT Relating to expanding the homeownership development  
2 property tax exemption to include real property sold to low-income  
3 households for building residences using mutual self-help housing  
4 construction; amending RCW 84.36.049; amending 2019 c 361 s 2  
5 (uncodified); and creating a new section.

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

7 **Sec. 1.** RCW 84.36.049 and 2019 c 361 s 1 are each amended to  
8 read as follows:

9 (1) All real property is exempt from state and local property  
10 taxes if owned by ((a)):

11 (a) A nonprofit entity, or ((by)) a qualified cooperative  
12 association, for the purpose of developing or redeveloping on the  
13 real property one or more residences to be sold to low-income  
14 households including land to be leased as provided in subsection  
15 ((8)(e)) (9)(f)(ii) of this section((, is exempt from state and  
16 local property taxes)); or

17 (b) A nonprofit entity for the purpose of selling the real  
18 property to a low-income household who enters into an agreement with  
19 the nonprofit to build, or have built, through a qualified mutual  
20 self-help housing program a residence on the real property.

1 (2) The exemption provided in this section expires on or at the  
2 earlier of:

3 (a) ~~((The))~~ (i) For purposes of the exemption provided in  
4 subsection (1)(a) of this section, the date on which the nonprofit  
5 entity transfers title to the single-family dwelling unit or the date  
6 on which the qualified cooperative association first conveys,  
7 directly or indirectly through the transfer of an ownership interest  
8 in the association, any single-family dwelling unit on the property  
9 or any part of the property~~((The exemption will not expire as a~~  
10 ~~consequence of the real property being transferred by one nonprofit~~  
11 ~~entity to another nonprofit entity or to a qualified cooperative~~  
12 ~~association so long as the transferee timely applies to the~~  
13 ~~department for a continuation of the exemption))~~; or

14 (ii) For purposes of the exemption provided in subsection (1)(b)  
15 of this section, the date on which the nonprofit entity transfers  
16 title to the real property to the low-income household;

17 (b) The date on which the nonprofit entity or qualified  
18 cooperative association executes a lease of land described in  
19 subsection ~~((+8)(e))~~ (9)(f)(ii) of this section;

20 (c) The end of the seventh consecutive property tax year for  
21 which the property is granted an exemption under this section or, if  
22 the nonprofit entity or qualified cooperative association has claimed  
23 an extension under subsection ~~((+3))~~ (4) of this section, the end of  
24 the tenth consecutive property tax year for which the property is  
25 granted an exemption under this section; or

26 (d) The property is no longer held for the purpose for which the  
27 exemption was granted.

28 (3) The exemption under this section does not expire as a  
29 consequence of the real property being transferred by one nonprofit  
30 entity to another nonprofit entity or to a qualified cooperative  
31 association so long as the transferee timely applies to the  
32 department and is approved for a continuation of the exemption.

33 (4) If the nonprofit entity believes that title to the single-  
34 family dwelling unit, or title of the real property exempt under  
35 subsection (1)(b) of this section, will not be transferred by the end  
36 of the sixth consecutive property tax year or if a qualified  
37 cooperative association believes that neither a single-family  
38 dwelling unit nor any other part of the property will be transferred  
39 by the end of the sixth consecutive property tax year, the nonprofit

1 entity or qualified cooperative association may claim a three-year  
2 extension of the exemption period by:

3 (a) Filing a notice of extension with the department on or before  
4 March 31st of the sixth consecutive property tax year; and

5 (b) Providing a filing fee equal to the greater of (~~two hundred~~  
6 ~~dollars~~) \$200 or (~~one-tenth of one~~) 0.1 percent of the real market  
7 value of the property as of the most recent assessment date with the  
8 notice of extension. The filing fee must be deposited into the state  
9 general fund.

10 (~~(4)~~) (5) (a) If the nonprofit entity has not transferred title  
11 to the single-family dwelling unit to a low-income household or title  
12 to the real property exempt under subsection (1)(b) of this section  
13 to a low-income household, or if a qualified cooperative association  
14 has not transferred either a single-family dwelling unit or any other  
15 property, within the applicable period described in subsection (2)(c)  
16 of this section, or if the nonprofit entity or qualified cooperative  
17 association has converted the property to a purpose other than the  
18 purpose for which the exemption was granted, the property is  
19 disqualified from the exemption.

20 (b) Upon disqualification, the county treasurer must collect an  
21 additional tax equal to all taxes that would have been paid on the  
22 property but for the existence of the exemption, plus interest at the  
23 same rate and computed in the same way as that upon delinquent  
24 property taxes.

25 (c) The additional tax must be distributed by the county  
26 treasurer in the same manner in which current property taxes  
27 applicable to the subject property are distributed. The additional  
28 taxes and interest are due in full (~~thirty~~) 30 days following the  
29 date on which the treasurer's statement of additional tax due is  
30 issued.

31 (d) The additional tax and interest is a lien on the property.  
32 The lien for additional tax and interest has priority to and must be  
33 fully paid and satisfied before any recognizance, mortgage, judgment,  
34 debt, obligation, or responsibility to or with which the property may  
35 become charged or liable. If a nonprofit entity or qualified  
36 cooperative association sells or transfers real property subject to a  
37 lien for additional taxes under this subsection, such unpaid  
38 additional taxes must be paid by the nonprofit entity or qualified  
39 cooperative association at the time of sale or transfer. The county  
40 auditor may not accept an instrument of conveyance unless the

1 additional tax has been paid. The nonprofit entity, qualified  
2 cooperative association, or the new owner may appeal the assessed  
3 values upon which the additional tax is based to the county board of  
4 equalization in accordance with the provisions of RCW 84.40.038.

5 ~~((+5))~~ (6) (a) Nonprofit entities receiving an exemption under  
6 subsection (1)(a) of this section must immediately notify the  
7 department when the exempt real property becomes occupied. The notice  
8 of occupancy made to the department must include a certification by  
9 the nonprofit entity that the occupants are a low-income household  
10 and a date when the title to the single-family dwelling unit was or  
11 is anticipated to be transferred.

12 (b) Qualified cooperative associations receiving an exemption  
13 under this section must immediately notify the department when any  
14 portion of the exempt real property becomes occupied as well as when  
15 all of the exempt real property becomes occupied. The notice provided  
16 when all the exempt real property becomes occupied must be filed  
17 within one year of all exempt real property becoming occupied and  
18 demonstrate that the qualified cooperative association does, in fact,  
19 meet the requirements for being a qualified cooperative association.

20 (c) Nonprofit entities receiving an exemption under subsection  
21 (1)(b) of this section must immediately notify the department when  
22 the exempt real property is sold to the low-income household. The  
23 notice must include a date when the title to the real property was or  
24 is anticipated to be transferred and a certification by the nonprofit  
25 entity that the purchaser is a low-income household.

26 (d) The department of revenue must make the notices of occupancy  
27 and real property transfers under (c) of this subsection available to  
28 the joint legislative audit and review committee, upon request by the  
29 committee, in order for the committee to complete its review of the  
30 tax preference in this section.

31 ~~((+6))~~ (7) Upon cessation of the exemption, the value of new  
32 construction and improvements to the property, not previously  
33 considered as new construction, must be considered as new  
34 construction for purposes of calculating levies under chapter 84.55  
35 RCW. The assessed value of the property as it was valued prior to the  
36 beginning of the exemption may not be considered as new construction  
37 upon cessation of the exemption.

38 ~~((+7))~~ (8) Nonprofit entities and qualified cooperative  
39 associations receiving an exemption under this section must provide  
40 annual financial statements to the joint legislative audit and review

1 committee, upon request by the committee, for the years that the  
2 exemption has been claimed. The nonprofit entity or qualified  
3 cooperative associations must identify the line or lines on the  
4 financial statements that comprise the percentage of revenues  
5 dedicated to the development of affordable housing.

6 ~~((+8))~~ (9) The definitions in this subsection apply throughout  
7 this section unless the context clearly requires otherwise.

8 (a) "Financial statements" means an audited annual financial  
9 statement and a completed United States treasury internal revenue  
10 service return form 990 for organizations exempt from income tax.

11 (b) "Low-income household" means a single person, family, or  
12 unrelated persons living together whose adjusted income is less than  
13 ~~((eighty))~~ 80 percent of the median family income, adjusted for  
14 family size as most recently determined by the federal department of  
15 housing and urban development for the county in which the property is  
16 located.

17 (c) "Nonprofit entity" means a nonprofit as defined in RCW  
18 84.36.800 that is exempt from federal income taxation under 26 U.S.C.  
19 Sec. 501(c)(3) of the federal internal revenue code of 1986, as  
20 amended.

21 (d) "Qualified cooperative association" means a cooperative  
22 association formed under chapter 23.86 or 24.06 RCW that owns the  
23 real property for which an exemption is sought under this section and  
24 following the completion of the development or redevelopment of such  
25 real property:

26 (i) ~~((Sixty))~~ 60 percent or more of the residences are owned by  
27 low-income households; and

28 (ii) ~~((Eighty))~~ 80 percent or more of the square footage of any  
29 improvements to the real property are exclusively used or available  
30 for use by the owners of the residences.

31 (e) "Qualified mutual self-help housing program" is a program  
32 dedicated to supporting the building of residences for low-income  
33 households in Washington through a mutual self-help construction  
34 method by which multiple low-income households use their own labor to  
35 reduce total construction costs of their residences. The program must  
36 also be:

37 (i) Operated by a nonprofit entity; and

38 (ii) Receiving financial support from the United States  
39 department of agriculture's mutual self-help housing technical  
40 assistance grant program or its successor program.

1        (f) "Residence" means:

2        (i) A single-family dwelling unit whether such unit be separate  
3 or part of a multiunit dwelling; and

4        (ii) The land on which a dwelling unit described in ~~((e))~~ (f)  
5 (i) of this subsection ~~((8))~~ (9) stands, whether to be sold, or to  
6 be leased for life or ~~((ninety-nine))~~ 99 years, to the low-income  
7 household owning such dwelling unit.

8        ~~((9))~~ (10) The department may not accept applications for the  
9 initial exemption in this section after December 31, 2027. The  
10 exemption in this section may not be approved for and does not apply  
11 to taxes due in 2038 and thereafter.

12        ~~((10))~~ (11) This section expires January 1, 2038.

13        **Sec. 2.** 2019 c 361 s 2 (uncodified) is amended to read as  
14 follows:

15        (1) This section is the tax preference performance statement for  
16 the tax preference contained in chapter . . . , Laws of 2024 (this  
17 act), chapter 361, Laws of 2019, chapter 103, Laws of 2018, and  
18 chapter 217, Laws of 2016. This performance statement is only  
19 intended to be used for subsequent evaluation of the tax preference.  
20 It is not intended to create a private right of action by any party  
21 or be used to determine eligibility for preferential tax treatment.

22        (2) The legislature categorizes this tax preference as one  
23 intended to provide tax relief for certain businesses or individuals,  
24 as indicated in RCW 82.32.808(2)(e).

25        (3) It is the legislature's specific public policy objective to  
26 encourage and expand the ability of nonprofit low-income housing  
27 developers to provide homeownership opportunities for low-income  
28 households. It is the legislature's intent to exempt from taxation  
29 real property owned by a nonprofit entity for the purpose of building  
30 residences to be sold, or, in the case of land, to be leased for life  
31 or ~~((ninety-nine))~~ 99 years or to be sold for use in mutual self-help  
32 housing development, to low-income households in order to enhance the  
33 ability of nonprofit low-income housing developers to purchase and  
34 hold land for future affordable housing development.

35        (4)(a) To measure the effectiveness of the tax preferences  
36 provided in ~~((section 2 of this act))~~ RCW 84.36.049 in achieving the  
37 specific public policy objectives described in subsection (3) of this  
38 section, the joint legislative audit and review committee must  
39 evaluate, two years prior to the expiration of the tax preference:

1 (i) The annual growth in the percentage of revenues dedicated to the  
2 development of affordable housing, for each nonprofit and qualified  
3 cooperative association claiming the preference, for the period that  
4 the preference has been claimed; and (ii) the annual changes in both  
5 the total number of parcels qualifying for the exemption and the  
6 total number of parcels for which owner occupancy notifications have  
7 been submitted to the department of revenue, from June 9, 2016,  
8 through the most recent year of available data prior to the  
9 committee's review.

10 (b) If the review by the joint legislative audit and review  
11 committee finds that for most of the nonprofits and qualified  
12 cooperative associations claiming the exemption, program spending,  
13 program expenses, or another ratio representing the percentage of the  
14 nonprofit entity's and qualified cooperative association's revenues  
15 dedicated to the development of affordable housing has increased for  
16 the period during which the exemption was claimed, then the  
17 legislature intends to extend the expiration date of the tax  
18 preference.

19 (5) In order to obtain the data necessary to perform the review  
20 in subsection (4) of this section, the joint legislative audit and  
21 review committee may refer to:

22 (a) Initial applications for the preference as approved by the  
23 department of revenue under RCW 84.36.815;

24 (b) Owner occupancy notices and notices of property transfers  
25 reported to the department of revenue under (~~section 2 of this act~~)  
26 RCW 84.36.049;

27 (c) Annual financial statements for a nonprofit entity or  
28 qualified cooperative association claiming this tax preference, as  
29 defined in (~~section 2 of this act~~) RCW 84.36.049, and provided by  
30 nonprofit entities or qualified cooperative associations claiming  
31 this preference; and

32 (d) Any other data necessary for the evaluation under subsection  
33 (4) of this section.

34 NEW SECTION. **Sec. 3.** This act applies to taxes levied for  
35 collection in 2025 and thereafter.

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