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HOUSE BILL 2351

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State of Washington

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By Representatives Radcliff, Brown, Costa, D. Schmidt, Blanton, Veloria, Quall, Murray, Hickel, Mastin, Patterson, Chopp, Smith, Mason and Thompson

Read first time 01/10/96. Referred to Committee on Finance.

1 AN ACT Relating to exemption of property taxes for state and local  
2 assisted housing; amending RCW 84.36.805 and 84.36.810; adding a new  
3 section to chapter 84.36 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.36 RCW  
6 to read as follows:

7 (1) All real and personal property owned or used by a nonprofit  
8 organization, association, or corporation to provide rental housing for  
9 very low-income households is exempt to the extent that the property is  
10 reasonably necessary for the purposes of the housing, and:

11 (a) The benefit of the exemption inures to the nonprofit  
12 organization, association, or corporation;

13 (b) At least fifty percent of the occupied dwelling units in the  
14 rental housing are occupied by very low-income households;

15 (c) The rental housing was financed in conjunction with and through  
16 consultation with a governmental entity that monitors projects or  
17 developments for very low-income households including, but not limited  
18 to, the housing assistance program created under chapter 43.185 RCW or

1 under RCW 84.52.105 that provides a levy for funding rental housing for  
2 very low-income households; and

3 (d) the monthly rent for the individual dwelling units occupied by  
4 very low-income households within the rental housing does not exceed  
5 the actual cost of operating and maintaining the housing. For the  
6 purposes of this section, "actual cost of operating and maintaining"  
7 includes, but is not limited to, any debt service and cash reserves  
8 required by the financing agent or other organization related to the  
9 housing project.

10 (2) If less than fifty percent of the dwelling units are occupied  
11 by very low-income households, the rental housing used to provide  
12 housing for very low-income households is eligible for a partial  
13 exemption on the real property and a total exemption of the housing's  
14 personal property as follows:

15 (a) The partial exemption shall be allowed for each dwelling unit  
16 in the rental housing occupied by very low-income households.

17 (b) The amount of exemption shall be calculated by multiplying the  
18 assessed value of the property reasonably necessary to provide the  
19 rental housing by a fraction. The numerator of the fraction is the  
20 number of dwelling units occupied by very low-income households as of  
21 January 1st of the year for which the exemption is claimed. The  
22 denominator of the fraction is the total number of occupied dwelling  
23 units as of January 1st of the year for which exemption is claimed.

24 (3) Rental housing for very low-income households is exempt from  
25 property taxation only if the organization, association, or corporation  
26 operating the housing is exempt from income tax under section 501(c) of  
27 the federal internal revenue code.

28 (4) To be exempt under this section, the property must be used  
29 exclusively for the purposes for which exemption is granted, except as  
30 provided in RCW 84.36.805.

31 (5) The nonprofit organization, association, or corporation  
32 qualifying for the exemption under this section by providing rental  
33 housing for very low-income households may agree to make payments to  
34 the city, county, or other political subdivision for improvements,  
35 services, and facilities furnished by the city, county, or political  
36 subdivision for the benefit of the rental housing. However, these  
37 payments shall not exceed the amount last levied as the annual tax of  
38 the city, county, or political subdivision upon the property prior to  
39 exemption.

1 (6) As used in this section:

2 (a) "Occupied dwelling unit" means a living unit that is occupied  
3 on January 1st of the year in which the claim for exemption is  
4 submitted;

5 (b) "Rental housing" means residential housing that is occupied but  
6 not owned by very low-income households; and

7 (c) "Very low-income households" means a single person, family, or  
8 unrelated persons living together whose income is at or below fifty  
9 percent of the median income adjusted for family size as most recently  
10 determined by the federal department of housing and urban development  
11 for the county in which the rental housing is located and in effect as  
12 of January 1st of the year the application for exemption is submitted.

13 **Sec. 2.** RCW 84.36.805 and 1995 2nd sp.s. c 9 s 2 are each amended  
14 to read as follows:

15 In order to be exempt pursuant to RCW 84.36.030, 84.36.550,  
16 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,  
17 84.36.047, 84.36.050, 84.36.060, 84.36.350, ((and)) 84.36.480, and  
18 section 1 of this act, the nonprofit organizations, associations or  
19 corporations shall satisfy the following conditions:

20 (1) The property is used exclusively for the actual operation of  
21 the activity for which exemption is granted, unless otherwise provided,  
22 and does not exceed an amount reasonably necessary for that purpose,  
23 except:

24 (a) The loan or rental of the property does not subject the  
25 property to tax if:

26 (i) The rents and donations received for the use of the portion of  
27 the property are reasonable and do not exceed the maintenance and  
28 operation expenses attributable to the portion of the property loaned  
29 or rented; and

30 (ii) Except for the exemptions under RCW 84.36.030(4) and  
31 84.36.037, the property would be exempt from tax if owned by the  
32 organization to which it is loaned or rented;

33 (b) The use of the property for fund-raising activities does not  
34 subject the property to tax if the fund-raising activities are  
35 consistent with the purposes for which the exemption is granted;

36 (2) The property is irrevocably dedicated to the purpose for which  
37 exemption has been granted, and on the liquidation, dissolution, or  
38 abandonment by said organization, association, or corporation, said

1 property will not inure directly or indirectly to the benefit of any  
2 shareholder or individual, except a nonprofit organization,  
3 association, or corporation which too would be entitled to property tax  
4 exemption: PROVIDED, That the property need not be irrevocably  
5 dedicated if it is leased or rented to those qualified for exemption  
6 pursuant to RCW 84.36.035, 84.36.040, 84.36.041, ~~((or))~~ 84.36.043, or  
7 section 1 of this act, or those qualified for exemption as an  
8 association engaged in the production or performance of musical, dance,  
9 artistic, dramatic, or literary works pursuant to RCW 84.36.060, but  
10 only if under the terms of the lease or rental agreement the nonprofit  
11 organization, association, or corporation receives the benefit of the  
12 exemption;

13 (3) The facilities and services are available to all regardless of  
14 race, color, national origin or ancestry;

15 (4) The organization, association, or corporation is duly licensed  
16 or certified where such licensing or certification is required by law  
17 or regulation;

18 (5) Property sold to organizations, associations, or corporations  
19 with an option to be repurchased by the seller shall not qualify for  
20 exempt status;

21 (6) The director of the department of revenue shall have access to  
22 its books in order to determine whether such organization, association,  
23 or corporation is exempt from taxes within the intent of RCW 84.36.030,  
24 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,  
25 84.36.047, 84.36.050, 84.36.060, 84.36.350, ~~((and))~~ 84.36.480, and  
26 section 1 of this act.

27 **Sec. 3.** RCW 84.36.810 and 1994 c 124 s 19 are each amended to read  
28 as follows:

29 (1) Upon cessation of a use under which an exemption has been  
30 granted pursuant to RCW 84.36.030, 84.36.550, 84.36.037, 84.36.040,  
31 84.36.041, 84.36.043, 84.36.050, ~~((and))~~ 84.36.060, and section 1 of  
32 this act, the county treasurer shall collect all taxes which would have  
33 been paid had the property not been exempt during the three years  
34 preceding, or the life of such exemption, if such be less, together  
35 with the interest at the same rate and computed in the same way as that  
36 upon delinquent property taxes. Where the property has been granted an  
37 exemption for more than ten years, taxes and interest shall not be  
38 assessed under this section.

1 (2) Subsection (1) of this section applies only when ownership of  
2 the property is transferred or when fifty-one percent or more of the  
3 area of the property has lost its exempt status. The additional tax  
4 under subsection (1) of this section shall not be imposed if the  
5 cessation of use resulted solely from:

6 (a) Transfer to a nonprofit organization, association, or  
7 corporation for a use which also qualifies and is granted exemption  
8 under the provisions of chapter 84.36 RCW;

9 (b) A taking through the exercise of the power of eminent domain,  
10 or sale or transfer to an entity having the power of eminent domain in  
11 anticipation of the exercise of such power;

12 (c) Official action by an agency of the state of Washington or by  
13 the county or city within which the property is located which disallows  
14 the present use of such property;

15 (d) A natural disaster such as a flood, windstorm, earthquake, or  
16 other such calamity rather than by virtue of the act of the  
17 organization, association, or corporation changing the use of such  
18 property;

19 (e) Relocation of the activity and use of another location or site  
20 except for undeveloped properties of camp facilities exempted under RCW  
21 84.36.030;

22 (f) Cancellation of a lease on property that had been exempt under  
23 RCW 84.36.040, 84.36.041, 84.36.043, (~~(or)~~) 84.36.060, or section 1 of  
24 this act;

25 (g) A change in the exempt portion of a home for the aging under  
26 RCW 84.36.041(3), as long as some portion of the home remains exempt;

27 (h) The conversion of a full exemption of a home for the aging to  
28 a partial exemption or taxable status or the conversion of a partial  
29 exemption to taxable status under RCW 84.36.041(8).

30 NEW SECTION. **Sec. 4.** This act applies to taxes levied in 1996 for  
31 collection in 1997 and thereafter.

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