Multiple Agency Fiscal Note Summary

Bill Number: 6013 SB	**Title:** Homeownership dev. tax ex.

Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	0	0	0	0	0	0	0	0	0

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.1	0	0	19,100	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	15,500	15,500	15,500	.0	0	0	0	.0	0	0	0
Total $	0.2	15,500	15,500	34,600	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

FNPID 69316

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete. Other impacted agencies' fiscal notes will be distributed as soon as possible.

Prepared by: Amy Hatfield, OFM	**Phone:** (360) 280-7584	**Date Published:** Preliminary 1/19/2024

Individual State Agency Fiscal Note

Bill Number: 6013 SB	**Title:** Homeownership dev. tax ex.	**Agency:** 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
Performance Audits of Government Account-State 553-1	14,300	4,800	19,100	0	0
Total $	14,300	4,800	19,100	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Samantha Doyle	Phone: 360-786-7335	Date: 01/10/2024
Agency Preparation:	Pete van Moorsel	Phone: 360-786-5185	Date: 01/17/2024
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 01/17/2024
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 01/18/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SB 6013 expands the existing homeownership development property tax exemption to include property owned by nonprofit entities that will sell the property to a low-income household. The household must enter into an agreement with the nonprofit to construct a residence on the property.

The January 1, 2027 expiration date of the preference is unchanged.

Tax Preference Performance Statement Details

The existing tax preference performance statement is amended to incorporate the expanded tax preference.

The Legislature categorizes the preference as one intended to provide tax relief for certain businesses or individuals per RCW 82.32.808(2)(e).

The Legislature's specific public policy objective is to encourage and expand the ability of nonprofit low-income housing developers to provide homeownership opportunities for low-income households.

To measure the effectiveness of the tax preference in achieving the policy objectives, JLARC must evaluate, two years prior to the expiration of the tax preference:

1) The annual growth in the percentage of revenues dedicated to the development of affordable housing, for each nonprofit and qualified cooperative association claiming the preference, for the period that the preference has been claimed.

2) The annual changes in both the total number of parcels qualifying for the exemption and the total number of parcels for which owner occupancy notifications have been submitted to the Department of Revenue (DOR), from June 9, 2016, through the most recent year of available data prior to the review.

The Legislature intends to extend the tax preference if the review finds that any of the following have increased for most of the nonprofits and qualified cooperative associations claiming the exemption the period during which the exemption was claimed:

1) Program spending.
2) Program expenses.
3) Another ratio representing the percentage of revenues dedicated to developing affordable housing.

In performing the review, JLARC is directed to refer to specific data:

a) Initial applications for the preference.
b) Owner occupancy notices and notices of property transfers reported to DOR as required by the statute governing the preference.
c) Annual financial statements for a nonprofit entity or qualified cooperative association claiming the preference.
d) Any other data necessary for the review.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

JLARC staff will work with the DOR and nonprofit entities immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. Staff would work with DOR and nonprofit entities when conducting its review.

The preference expanded by this bill is scheduled to be reviewed by JLARC in 2025. Work for this review will begin in June 2024 and continue through the end of 2025. Data describing use of the expanded portion of the preference will likely be limited at the time of this review.

The cost of this review is assumed to be in the JLARC's current budget. The expenditure detail reflects work to incorporate the expanded provisions of the tax preference into preparations for and the performance of the tax preference review in 2025.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2024 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately $23,900 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	14,300	4,800	19,100	0	0
		Total $	14,300	4,800	19,100	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	9,300	3,100	12,400		
B-Employee Benefits	2,900	1,000	3,900		
C-Professional Service Contracts					
E-Goods and Other Services	1,900	600	2,500		
G-Travel	200	100	300		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	14,300	4,800	19,100	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	131,064	0.1		0.1		
Support staff	110,856					
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 6013 SB	**Title:** Homeownership dev. tax ex.	**Agency:** 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
Account					
GF-STATE-State 001-1		15,500	15,500		
Total $		15,500	15,500		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Samantha Doyle	Phone: 360-786-7335	Date: 01/10/2024
Agency Preparation:	Frank Wilson	Phone: 360-534-1527	Date: 01/18/2024
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 01/18/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/19/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:
All real property owned by a nonprofit entity or qualified cooperative association to develop or redevelop one or more residences sold to low-income households, including certain land leases, is exempt from state and local property taxes.

This exemption expires on, or the earlier of:
- The date the nonprofit entity transfers title to the real property or the date the qualifying cooperative association directly or indirectly transfers through an ownership interest in the association, any single-family home on the land, or any portion of the property.
- The date on which the nonprofit entity or qualified cooperative association executes a lease of the land.
- The end of the seventh consecutive property tax year for which an exemption applies if the nonprofit entity or qualified cooperative association claimed an exemption, or granted the extension, the end of the tenth consecutive property tax year for which an exemption applies.
- When the nonprofit no longer holds the property for the purpose of the exemption.

The exemption does not expire if the real property transfers between nonprofit entities or to a qualified cooperative association so long as the transferee timely applies to the Department of Revenue (department) to continue the exemption.

A qualified cooperative association must notify the department immediately when:
- Any portion of the exempt real property becomes occupied.
- All exempt real property becomes occupied.

PROPOSAL:
This bill expands the property tax exemption to include real property owned by a nonprofit entity to sell the real property to a low-income household that enters into an agreement with the nonprofit to build or have built, through a qualified mutual self-help housing program a residence on the real property.

The expiration conditions of a qualified mutual self-help housing program are similar to those of a nonprofit entity or qualified cooperative association and include the date the nonprofit transfers title to the low-income household ownership to the real property.

The qualifications and disqualifications for nonprofits affiliated with a qualified mutual self-help housing program are the same as those currently applicable to eligible nonprofit entities or qualified cooperative associations.

A nonprofit partnered with a qualified mutual self-help housing program must immediately notify the department when selling exempt property to a low-income household.

This bill adds the definition of a qualified mutual self-help housing program as a program dedicated to supporting building low-income residences for households in Washington through a mutual self-help construction method. Multiple low-income households use their own labor to reduce the construction costs of their residences. A nonprofit entity must operate the program and receive funding from the United States Department of Agriculture's mutual self-help housing technical assistance grant program or successor program.

EFFECTIVE DATE:
The bill takes effect 90 days after the final adjournment of the session and begins with property taxes due for calendar year

2025.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS
- There is one known nonprofit entity approved to transfer land to a low-income household through a qualified mutual self-help housing program in Whatcom County. The establishment of additional nonprofits for this purpose is unknown and the estimate assumes only one may qualify for the exemption this bill changes.
- A nonprofit entity loses its exemption upon the transfer of land to a low-income household to build a home through a mutual self-help construction method.
- State and local revenue impacts may be larger if additional projects are approved.

DATA SOURCES
- County Assessor, Property tax data
- Department of Commerce, 2022 Homeownership funding requests

REVENUE ESTIMATE:
The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2027-29 biennium. This adjusted exemption results in a shift to other taxpayers and no loss to the state levy.

PROPERTY TAX SHIFTS:
Because it is unknown how many nonprofits and properties will qualify for the adjusted exemption in this bill, the state levy shift is indeterminate.

Local districts will also experience an indeterminate shift of taxes to other taxpayers. The local shift may result in a local revenue loss due to levy limits.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:
This estimate affects qualified mutual self-help housing program applicants.

FIRST YEAR COSTS:
The department will not incur costs in fiscal year 2024.

SECOND YEARS COSTS:
The department will incur total costs of $15,500 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.13 FTE.
- Amend one administrative rule.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		9,800	9,800		
B-Employee Benefits		3,300	3,300		
E-Goods and Other Services		1,600	1,600		
J-Capital Outlays		800	800		
Total $		$15,500	$15,500		

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		0.1	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			0.1	0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the standard process to amend WAC 458-16-266-Rule, titled: "Homeownership development." Persons affected by this rulemaking would include nonprofit organizations entered into agreement with low-income households for building, or have built, a residence through a qualified mutual self-help housing program.