

# Special Notice

*Intended audience: County assessors, county treasurers, taxing districts, local governments, and limited equity cooperative housing organizations.*

**June 9, 2022**

## **SB 5713 Providing a property tax exemption for limited equity cooperative housing**

[Senate Bill 5713](#) provides a new exemption for real property owned by a limited equity cooperative (LEC) that provides owned housing for low-income households and changes the definition of “nonprofit” in RCW 84.36.800 to include a limited equity cooperative.

“**Limited equity cooperative**” means a cooperative subject to the Washington uniform common interest ownership act under chapter 64.90 RCW that owns the real property for which an exemption is sought under this section and for which, following the completion of the development or redevelopment of such real property:

- Members are prevented from selling their ownership interests other than to a median-income or low-income household; and
- Members are prevented from selling their ownership interests for a sales price that exceeds the sum of:
  - The sales price they paid for their ownership interest.
  - The cost of permanent improvements they made to the dwelling unit during their ownership.
  - Any special assessments they paid to the limited equity cooperative during their ownership to the extent utilized to make permanent improvements to the building or buildings in which the dwelling units are located.
  - A 3% annual noncompounded return on the above amounts.

This bill takes effect June 9, 2022, and applies to taxes levied for collection in 2023 through 2032.

## Requirements

To qualify for the exemption, the LEC must provide owned housing for low-income households and meet the following requirements:

- At least 95% of the property must be used for dwelling units or other noncommercial purposes.
- At least 85% of the occupied dwelling units must be occupied by LEC members as of January 1 each assessment year.
- The benefit of the exemption must inure to the LEC and its members.
- The housing must be insured, financed, or assisted, in whole or in part, through one or more of the following sources:
  - A federal or state housing program administered by the department of commerce.
  - A federal or state housing program administered by the federal department of housing and urban development.
  - A federal housing program administered by a city or county government.
  - An affordable housing levy authorized under RCW 84.52.105.
  - The surcharges authorized by RCW 36.22.178 and 36.22.179 and any of the surcharges authorized in chapter 43.185C RCW.
  - The Washington State Housing Finance Commission.

## Exemption

Applications will be accepted by the Department of Revenue beginning June 9, 2022. Approved applications will be effective for exemption no earlier than tax year 2023. In 2022 only, applicants are not required to submit an occupancy list detailing who lived on the property on January 1 since the exemption was not in effect on that date.

A partial exemption is provided when less than 100% of the units are occupied by low-income households. The percentage of allowable exemption is calculated by dividing the number of units occupied by low-income households by the total number of dwelling units as of January 1 each year.

## Other changes

SB 5713 also amends RCW 84.36.805, 810 and 815 to make the following changes:

- Includes certain LECs in the exception to RCW 84.36.805(5), which prohibits property sold to organizations, associations, or corporations with an option to be repurchased by the seller from qualifying for an exemption.
- Adds exempt LECs to the exemption types subject to property tax rollback provisions in RCW 84.36.810 when the property ceases to be used for an exempt purpose and has not been

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exempt for more than 10 consecutive years.

- Requires exempt LECs to renew the exemption by March 31 every third year following the initial approval as provided in RCW 84.36.815(2)(b).

## Q&A

**Q: If our LEC is using a portion of the property to run a small convenience store, are we still eligible for the exemption?**

A: It depends. Subject to the additional exemption requirements including low-income household occupancy, the LEC may still qualify for an exemption if 95% or more of the LEC property is used for housing or other noncommercial purposes. If the store and the land required to operate the store exceed 5%, the LEC property would be disqualified.

**Q: Our LEC has been in operation since 2020 and would like to apply for this exemption. I am not sure our occupants qualified as of January 1, 2022, but they do now. Can we still qualify for assessment year 2022?**

A: Since the law did not go into effect until June 9, 2022, an occupant list is not required to be generated as of January 1, 2022. Your LEC may instead submit a list of occupants as of the first date the LEC qualifies. The January 1 date will be used for future occupant lists due in renewal years.

**Q: Our LEC does not plan to have occupants until February 2023, do we need to wait until the following assessment year (2024) to apply since we do not have a list of occupants as of January 1?**

A: No. If the LEC becomes operational after January 1 in any assessment year, an occupant list as of the date of occupancy will be accepted in the same assessment year for exemption in the following tax year.

**Q: Not all our members live onsite. Does that prevent our LEC from receiving the exemption?**

A: No. Only 85% of the occupied units must be occupied by members of the LEC.

## Questions?

If you have questions or need additional information, please contact the Department of Revenue, Property Tax Division at 360-534-1400 or your county assessor.

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