

Special Notice

Intended audience: County assessors, nonprofit organizations providing rental housing or mobile home spaces to qualifying households.

June 11, 2020

Legislative changes for nonprofit organizations providing rental housing or mobile home spaces to qualifying households

The 2020 Legislature passed [Substitute House Bill 2384](#) (SHB 2384), making several changes to the property tax exemption for nonprofit organizations that provide rental housing or mobile home spaces to qualifying households. The bill is effective June 11, 2020.

What the bill does

This bill amends RCW 84.36.560 and RCW 84.36.815. Below is information on the notable changes.

Replaces the term “very low-income household”

SHB 2384 replaces the term “very low-income household” with “qualifying household” throughout [RCW 84.36.560](#).

Modifies qualifying criteria

Beginning July 1, 2021, “qualifying household” income requirements change from 50% to 60% of the median county income, adjusted for family size (AMI), as determined by the Federal Department of Housing and Urban Development.

SHB 2384 also allows for a nonprofit entity to continue a full exemption, regardless of the number of units, when the income of a qualifying household exceeds income requirements, but remains at or below 80% the county median. Prior to SHB 2384, only facilities with 10 or fewer units were allowed this provision.

Increases financing options

Washington State Housing Finance Commission (WSHFC), is added to the list of eligible funding sources for all nonprofit entities providing rental housing for qualifying households, rather than only nonprofit mobile home park cooperatives and manufactured housing cooperatives.

Allows nonprofit organizations with this exemption to renew every third year

SHB 2384 also amends [RCW 84.36.560](#) to allow nonprofit organizations, exempt under RCW 84.36.560 to renew every three years rather than annually, after the exemption is initially approved. The three-year cycle for all nonprofit organizations with an existing exemption under RCW 84.36.560 will start now. They will not have to renew again until calendar year 2023. For example, the new three-year renewal cycle will be as follows:

Initial exemption year	First renewal due	Second renewal due	Third renewal due
Existing exemptions	03/31/2023	03/31/2026	03/31/2029
2020	03/31/2023	03/31/2026	03/31/2029
2021	03/31/2024	03/31/2027	03/31/2030
2022	03/31/2025	03/31/2028	03/31/2031
2023	03/31/2026	03/31/2029	03/31/2032

Questions and answers

If a nonprofit organization is currently receiving a partial exemption due to less than 75% of units, or spaces, occupied by qualifying households, do they have the option to submit revised income documentation earlier than the required three years to receive a greater exemption?

Yes. If a nonprofit organization believes the number of qualifying households has changed, to either increase or decrease their exemption, they are encouraged to provide documentation prior to the required three-year renewal. If the review results in a change to the exemption, the updated exemption would establish a new three-year renewal period.

If a nonprofit organization purchases an existing exempt property, does the purchaser assume the existing three-year renewal cycle, or a new renewal cycle?

Typically, the purchaser as the new nonprofit organization would start its own three-year cycle after submitting qualifying documentation. However, we recognize that instances might occur, such as when there is a change in ownership structure and no income information is required. In those cases, the current renewal cycle would be maintained.

Since the bill is effective June 11, 2020, does that mean the increased maximum income limit (from 50% to 60% of the AMI) will be applicable for applications submitted after June 11, 2020 and renewals submitted by March 31, 2021?

No. Although the bill is effective June 11, 2020, the increased income limit does not begin until July 1, 2021. The increased income limit is applicable to new applications received on or after July 1, 2021, and to all renewals due by March 31, 2022.

For example: A household's income is 57% of the AMI and the nonprofit organization submits an application on June 30, 2021, the household would not qualify. However, if the nonprofit submits an application on July 1, 2021, or after, the household income would qualify.

For entities with more than 10 units or lots, when is the first time an existing tenant may continue to qualify when their household income rises above the approved threshold (50% before July 1, 2021 and 60% on or after that date), but remains less than or equal to 80% of the AMI? Also, when would the tenant need to have been initially qualified?

The section of the bill that expands the allowance for increased income for an existing tenant, to all entities, is effective June 11, 2020. The first renewals that would be affected by this change would be due March 31, 2021. This increased income allowance applies to all tenants who qualified at the time of initial approval, regardless of when the initial approval was made.

For example: If a nonprofit organization submits a renewal in February 2021, and one of the previous qualified tenants' income increased to 75% of the AMI, the tenant's unit would continue to be considered a qualifying unit because the renewal was submitted after June 11, 2020 and the tenant's income was at or below 80% of the AMI.

More information

You may find more information regarding the property tax exemption for nonprofit organizations that provide rental housing and mobile home spaces in [RCW 84.36.560](#) and [WAC 458-16-560](#).

Questions?

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