

CERTIFICATION OF ENROLLMENT

**SENATE BILL 5713**

Chapter 93, Laws of 2022

67th Legislature  
2022 Regular Session

LIMITED EQUITY COOPERATIVE HOUSING—PROPERTY TAX EXEMPTION

EFFECTIVE DATE: June 9, 2022

Passed by the Senate March 7, 2022  
Yeas 34 Nays 15

DENNY HECK

**President of the Senate**

Passed by the House March 2, 2022  
Yeas 54 Nays 42

Laurie Jinkins

**Speaker of the House of  
Representatives**

Approved March 17, 2022 12:55 PM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5713** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

**Secretary**

FILED

March 17, 2022

**Secretary of State  
State of Washington**

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**SENATE BILL 5713**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2022 Regular Session

**State of Washington                      67th Legislature                      2022 Regular Session**

**By** Senators Das, Lias, Nobles, Robinson, Saldaña, and Wellman

Prefiled 01/06/22. Read first time 01/10/22. Referred to Committee on Housing & Local Government.

1            AN ACT Relating to providing a property tax exemption for limited  
2 equity cooperative housing; amending RCW 84.36.800, 84.36.805,  
3 84.36.810, and 84.36.815; adding a new section to chapter 84.36 RCW;  
4 creating new sections; and providing an expiration date.

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

6            NEW SECTION.    **Sec. 1.**    (1) This section is the tax preference  
7 performance statement for the tax preference contained in section 2,  
8 chapter . . . , Laws of 2022 (section 2 of this act). This performance  
9 statement is only intended to be used for subsequent evaluation of  
10 the tax preference. It is not intended to create a private right of  
11 action by any party or be used to determine eligibility for  
12 preferential tax treatment.

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

16            (3) It is the legislature's specific public policy objective to  
17 financially incentivize the formation and utilization of limited  
18 equity cooperatives, and to increase the availability of housing  
19 available to low-income households. It is the legislature's intent to  
20 exempt from taxation any real property owned by a limited equity

1 cooperative when a majority of the property is used and occupied by  
2 low-income households.

3 (4) (a) To measure the effectiveness of the tax preference  
4 provided in section 2 of this act in achieving the specific public  
5 policy objectives described in subsection (3) of this section, the  
6 joint legislative audit and review committee must evaluate, two years  
7 prior to the expiration of the tax preference: (i) Growth in the  
8 formation and utilization of limited equity cooperatives; (ii) growth  
9 in available units of affordable housing within limited equity  
10 cooperatives; and (iii) any other metric the joint legislative audit  
11 and review committee determines is relevant to measuring success of  
12 this exemption.

13 (b) If the review by the joint legislative audit and review  
14 committee finds that growth in the formation and utilization of  
15 limited equity cooperatives or growth in available units of  
16 affordable housing within limited equity cooperatives has occurred,  
17 then the 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) Annual financial statements for a limited equity cooperative  
25 claiming this tax preference; and

26 (c) Any other data necessary for the evaluation under subsection  
27 (4) of this section.

28 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36  
29 RCW to read as follows:

30 (1) The real property owned by a limited equity cooperative that  
31 provides owned housing for low-income households is exempt from  
32 property taxation if:

33 (a) The benefit of the exemption inures to the limited equity  
34 cooperative and its members;

35 (b) At least 85 percent of the occupied dwelling units in the  
36 limited equity cooperative is occupied by members of the limited  
37 equity cooperative determined as of January 1st of each assessment  
38 year for which the exemption is claimed;

1 (c) At least 95 percent of the property for which the exemption  
2 is sought is used for dwelling units or other noncommercial uses  
3 available for use by the members of the limited equity cooperative;  
4 and

5 (d) The housing was insured, financed, or assisted, in whole or  
6 in part, through one or more of the following sources:

7 (i) A federal or state housing program administered by the  
8 department of commerce;

9 (ii) A federal or state housing program administered by the  
10 federal department of housing and urban development;

11 (iii) A federal housing program administered by a city or county  
12 government;

13 (iv) An affordable housing levy authorized under RCW 84.52.105;

14 (v) The surcharges authorized by RCW 36.22.178 and 36.22.179 and  
15 any of the surcharges authorized in chapter 43.185C RCW; or

16 (vi) The Washington state housing finance commission.

17 (2) If less than 100 percent of the dwelling units within the  
18 limited equity cooperative is occupied by low-income households, the  
19 limited equity cooperative is eligible for a partial exemption on the  
20 real property. The amount of exemption must be calculated by  
21 multiplying the assessed value of the property owned by the limited  
22 equity cooperative by a fraction. The numerator of the fraction is  
23 the number of dwelling units occupied by low-income households as of  
24 January 1st of each assessment year for which the exemption is  
25 claimed, and the denominator of the fraction is the total number of  
26 dwelling units as of such date.

27 (3) The definitions in this subsection apply throughout this  
28 section unless the context clearly requires otherwise.

29 (a) "Cooperative" has the meaning provided in RCW 64.90.010.

30 (b) (i) "Limited equity cooperative" means a cooperative subject  
31 to the Washington uniform common interest ownership act under chapter  
32 64.90 RCW that owns the real property for which an exemption is  
33 sought under this section and for which, following the completion of  
34 the development or redevelopment of such real property:

35 (A) Members are prevented from selling their ownership interests  
36 other than to a median-income household; and

37 (B) Members are prevented from selling their ownership interests  
38 for a sales price that exceeds the sum of:

39 (I) The sales price they paid for their ownership interest;

1 (II) The cost of permanent improvements they made to the dwelling  
2 unit during their ownership;

3 (III) Any special assessments they paid to the limited equity  
4 cooperative during their ownership to the extent utilized to make  
5 permanent improvements to the building or buildings in which the  
6 dwelling units are located; and

7 (IV) A three percent annual noncompounded return on the above  
8 amounts.

9 (ii) For the purposes of this subsection (3)(b), "sales price" is  
10 the total consideration paid or contracted to be paid to the seller  
11 or to another for the seller's benefit.

12 (c) "Low-income household" means a single person, family, or  
13 unrelated persons living together whose income is at or below 80  
14 percent of the median income adjusted for family size as most  
15 recently determined by the federal department of housing and urban  
16 development for the county in which the housing is located and in  
17 effect as of January 1st of the year in which the determination is to  
18 be made as to whether the single person, family, or unrelated persons  
19 living together qualify as a low-income household.

20 (d) "Median-income household" means a single person, family, or  
21 unrelated persons living together whose income is at or below 100  
22 percent of the median income adjusted for family size as most  
23 recently determined by the federal department of housing and urban  
24 development for the county in which the housing is located and in  
25 effect as of January 1st of the year in which the determination is to  
26 be made as to whether the single person, family, or unrelated persons  
27 living together qualify as a median-income household.

28 (e) "Members" of a limited equity cooperative means individuals  
29 or entities that have an ownership interest in the limited equity  
30 cooperative that entitles them to occupy and sell a dwelling unit in  
31 the limited equity cooperative.

32 **Sec. 3.** RCW 84.36.800 and 1998 c 311 s 24 are each amended to  
33 read as follows:

34 As used in this chapter:

35 (1) "Church purposes" means the use of real and personal property  
36 owned by a nonprofit religious organization for religious worship or  
37 related administrative, educational, eleemosynary, and social  
38 activities. This definition is to be broadly construed;

1 (2) "Convent" means a house or set of buildings occupied by a  
2 community of clergy or nuns devoted to religious life under a  
3 superior;

4 (3) "Hospital" means any portion of a hospital building, or other  
5 buildings in connection therewith, used as a residence for persons  
6 engaged or employed in the operation of a hospital, or operated as a  
7 portion of the hospital unit;

8 (4) (a) "Nonprofit" means an organization, association or  
9 corporation no part of the income of which is paid directly or  
10 indirectly to its members, stockholders, officers, directors or  
11 trustees except in the form of services rendered by the organization,  
12 association, or corporation in accordance with its purposes and  
13 bylaws and the salary or compensation paid to officers of such  
14 organization, association or corporation is for actual services  
15 rendered and compares to the salary or compensation of like positions  
16 within the public services of the state;

17 (b) "Nonprofit" also means a limited equity cooperative as  
18 defined in section 2 of this act;

19 (5) "Parsonage" means a residence occupied by a member of the  
20 clergy who has been designated for a particular congregation and who  
21 holds regular services therefor.

22 **Sec. 4.** RCW 84.36.805 and 2016 c 217 s 3 are each amended to  
23 read as follows:

24 (1) In order to qualify for an exemption under this chapter, the  
25 nonprofit organizations, associations, or corporations must satisfy  
26 the conditions in this section.

27 (2) The property must be used exclusively for the actual  
28 operation of the activity for which exemption is granted, unless  
29 otherwise provided, and does not exceed an amount reasonably  
30 necessary for that purpose. Notwithstanding anything to the contrary  
31 in this section:

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

34 (i) The rents and donations received for the use of the portion  
35 of the property are reasonable and do not exceed the maintenance and  
36 operation expenses attributable to the portion of the property loaned  
37 or rented; and

38 (ii) Except for the exemptions under RCW 84.36.030(4), 84.36.037,  
39 84.36.050, and 84.36.060(1) (a) and (b), the property would be exempt

1 from tax if owned by the organization to which it is loaned or  
2 rented;

3 (b) The use of the property for fund-raising events does not  
4 subject the property to tax if the fund-raising events are consistent  
5 with the purposes for which the exemption is granted or are conducted  
6 by a nonprofit organization. If the property is loaned or rented to  
7 conduct a fund-raising event, the requirements of (a) of this  
8 subsection (2) apply;

9 (c) An inadvertent use of the property in a manner inconsistent  
10 with the purpose for which exemption is granted does not subject the  
11 property to tax, if the inadvertent use is not part of a pattern of  
12 use. A pattern of use is presumed when an inadvertent use is repeated  
13 in the same assessment year or in two or more successive assessment  
14 years.

15 (3) The facilities and services must be available to all  
16 regardless of race, color, national origin or ancestry.

17 (4) The organization, association, or corporation must be duly  
18 licensed or certified where such licensing or certification is  
19 required by law or regulation.

20 (5) Property sold to organizations, associations, or corporations  
21 with an option to be repurchased by the seller does not qualify for  
22 exempt status. This subsection does not apply to ~~((property))~~ :

23 (a) Limited equity cooperatives as defined in section 2 of this  
24 act; or

25 (b) Property sold to a nonprofit entity, as defined in RCW  
26 84.36.560~~((+7))~~, by:

27 ~~((+a))~~ (i) A nonprofit as defined in RCW 84.36.800 that is  
28 exempt from income tax under 26 U.S.C. Sec. 501(c) of the federal  
29 internal revenue code;

30 ~~((+b))~~ (ii) A governmental entity established under RCW  
31 35.21.660, 35.21.670, or 35.21.730;

32 ~~((+c))~~ (iii) A housing authority created under RCW 35.82.030;

33 ~~((+d))~~ (iv) A housing authority meeting the definition in RCW  
34 35.82.210(2)(a); or

35 ~~((+e))~~ (v) A housing authority established under RCW 35.82.300.

36 (6) The department must have access to its books in order to  
37 determine whether the nonprofit organization, association, or  
38 corporation is exempt from taxes under this chapter.

39 (7) This section does not apply to exemptions granted under RCW  
40 84.36.020, 84.36.032, 84.36.250, 84.36.049, and 84.36.480(2).

1 (8) (a) The use of property exempt under this chapter, other than  
2 as specifically authorized by this chapter, nullifies the exemption  
3 otherwise available for the property for the assessment year.  
4 However, the exemption is not nullified by the use of the property by  
5 any individual, group, or entity, where such use is not otherwise  
6 authorized by this chapter, for not more than (~~(fifty)~~) 50 days in  
7 each calendar year, and the property is not used for pecuniary gain  
8 or to promote business activities for more than (~~(fifteen)~~) 15 of the  
9 (~~(fifty)~~) 50 days in each calendar year. The (~~(fifty)~~) 50 and  
10 (~~(fifteen)~~) 15-day limitations provided in this subsection (8) (a) do  
11 not include days during which setup and takedown activities take  
12 place immediately preceding or following a meeting or other event by  
13 an individual, group, or entity using the property as provided in  
14 this subsection (8) (a).

15 (b) If uses of the exempt property exceed the (~~(fifty)~~) 50 and  
16 (~~(fifteen)~~) 15-day limitations provided in (a) of this subsection (8)  
17 during an assessment year, the exemption is removed for the affected  
18 portion of the property for that assessment year.

19 **Sec. 5.** RCW 84.36.810 and 2006 c 305 s 4 are each amended to  
20 read as follows:

21 (1) (a) Upon cessation of a use under which an exemption has been  
22 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,  
23 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,  
24 84.36.560, 84.36.570, section 2 of this act, and 84.36.650, except as  
25 provided in (b) of this subsection, the county treasurer shall  
26 collect all taxes which would have been paid had the property not  
27 been exempt during the three years preceding, or the life of such  
28 exemption, if such be less, together with the interest at the same  
29 rate and computed in the same way as that upon delinquent property  
30 taxes. If the property has been granted an exemption for more than  
31 (~~(ten)~~) 10 consecutive years, taxes and interest shall not be  
32 assessed under this section.

33 (b) Upon cessation of use by an institution of higher education  
34 of property exempt under RCW 84.36.050(2) the county treasurer shall  
35 collect all taxes which would have been paid had the property not  
36 been exempt during the seven years preceding, or the life of the  
37 exemption, whichever is less.

38 (2) Subsection (1) of this section applies only when ownership of  
39 the property is transferred or when (~~(fifty-one)~~) 51 percent or more



1 of the area of the property loses its exempt status. The additional  
2 tax under subsection (1) of this section shall not be imposed if the  
3 cessation of use resulted solely from:

4 (a) Transfer to a nonprofit organization, association, or  
5 corporation for a use which also qualifies and is granted exemption  
6 under this chapter;

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

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

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

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

20 (f) Cancellation of a lease on leased property that had been  
21 exempt under this chapter;

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

25 (h) Transfer to an agency of the state of Washington or the city  
26 or county within which the property is located.

27 (3) Subsection (2)(e) and (f) of this section (~~(do—[does])~~) does  
28 not apply to property leased to a state institution of higher  
29 education and exempt under RCW 84.36.050(2).

30 **Sec. 6.** RCW 84.36.815 and 2020 c 273 s 2 are each amended to  
31 read as follows:

32 (1) In order to qualify for exempt status for any real or  
33 personal property under this chapter except personal property under  
34 RCW 84.36.600, all foreign national governments; cemeteries;  
35 nongovernmental nonprofit corporations, organizations, and  
36 associations; hospitals owned and operated by a public hospital  
37 district for purposes of exemption under RCW 84.36.040(2); and soil  
38 and water conservation districts must file an initial application on  
39 or before March 31st with the state department of revenue. However,

1 the initial application deadline for the exemption provided in RCW  
2 84.36.049 is July 1st for 2016 and March 31st for 2017 and  
3 thereafter. All applications must be filed on forms prescribed by the  
4 department and must be signed by an authorized agent of the  
5 applicant.

6 (2)(a) In order to requalify for exempt status, all applicants  
7 except nonprofit cemeteries and nonprofits receiving the exemption  
8 under RCW 84.36.049 and nonprofits receiving the exemptions under RCW  
9 84.36.560 or section 2 of this act must file an annual renewal  
10 declaration on or before March 31st each year. The renewal  
11 declaration must be on forms prescribed by the department of revenue  
12 and must contain a statement certifying the exempt status of the real  
13 or personal property owned by the exempt organization. This renewal  
14 declaration may be submitted electronically in a format provided or  
15 approved by the department. Information may also be required with the  
16 renewal declaration to assist the department in determining whether  
17 the property tax exemption should continue.

18 (b) In order to requalify for exempt status, nonprofits receiving  
19 the exemptions under RCW 84.36.560 or section 2 of this act must file  
20 a renewal declaration on or before March 31st of every third year  
21 following initial qualification for the exemption. Except for the  
22 annual renewal requirement, all other requirements of (a) of this  
23 subsection apply.

24 (3) When an organization acquires real property qualified for  
25 exemption or converts real property to exempt status, the  
26 organization must file an initial application for the property within  
27 sixty days following the acquisition or conversion in accordance with  
28 all applicable provisions of subsection (1) of this section. If the  
29 application is filed after the expiration of the (~~sixty~~) 60-day  
30 period, a late filing penalty is imposed under RCW 84.36.825.

31 (4) When organizations acquire real property qualified for  
32 exemption or convert real property to an exempt use, the property,  
33 upon approval of the application for exemption, is entitled to a  
34 property tax exemption for property taxes due and payable the  
35 following year. If the owner has paid taxes for the year following  
36 the year the property qualified for exemption, the owner is entitled  
37 to a refund of the amount paid on the property so acquired or  
38 converted.

39 (5) The department must share approved initial applications for  
40 the tax preferences provided in RCW 84.36.049 and section 2 of this

1 act with the joint legislative audit and review committee, upon  
2 request by the committee, in order for the committee to complete its  
3 review of the tax preferences provided in RCW 84.36.049 and section 2  
4 of this act.

5 NEW SECTION. **Sec. 7.** This act applies to taxes levied for  
6 collection in 2023 through 2032.

7 NEW SECTION. **Sec. 8.** Sections 2 through 6 of this act expire  
8 January 1, 2033.

Passed by the Senate March 7, 2022.

Passed by the House March 2, 2022.

Approved by the Governor March 17, 2022.

Filed in Office of Secretary of State March 17, 2022.

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