

SB 919 A STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

Action Date: 03/27/23

Action: Do pass with amendments and requesting referral to Finance and Revenue. (Printed A-Engrossed.)

Vote: 5-0-0-0

Yeas: 5 - Anderson, Jama, Knopp, Patterson, Sollman

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

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Meeting Dates: 3/22, 3/27

WHAT THE MEASURE DOES:

Establishes one exemption per tax account from ad valorem property taxation for five years for properties with newly constructed accessory dwelling unit (ADU) or single-family conversion to duplex, triplex, or quadplex, and unit is used as occupant's primary residence and not rented as transient lodging. Allows exemption to continue if eligible property is transferred to new ownership during exemption period and continues to meet eligibility requirements. Establishes timelines and requirements to file claim; allows for appeal of denial. Applies tax rate for year immediately following expiration of exemption, or addition of new property or improvements, amount equal to maximum assessed value of property. Terminates benefit in event eligible property no longer meets requirements under Act; provides for collection of tax amount that would have been collected without an exemption. Applies to property tax years beginning on or after July 1, 2024. Specifies Property Tax Expenditure Funding Account does not apply to Act. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Provisions of measure
- Implementation of -1 amendment with Constitutional language
- Incentivizing accessory dwelling units and conversion to multifamily

EFFECT OF AMENDMENT:

Replaces the measure.

BACKGROUND:

Upon construction of an accessory dwelling unit (ADU), the entire property may face reassessment. Tax measures passed in the 1990s resulted in limits where a property's maximum assessed value could only increase by about three percent per year, with 1995 serving as a property's base year. Some conditions, such as new construction or additions valued at over \$10,000 in one year or \$25,000 over five years, can trigger a property reassessment, bringing the assessed value closer to current market value. This results in higher taxes and can serve as a disincentive to construct ADUs or middle housing.

Senate Bill 919 A allows property owners to file a claim for a five-year ad valorem property tax exemption if the property hosts a new ADU or single-family conversion to duplex, triplex, or quadplex, and the units are used as an occupant's primary residence. The exemption may continue if a new owner continues to meet eligibility requirements. For the first tax year following exemption expiration, the property is taxed at its maximum assessed value. If a property receiving the exemption becomes ineligible, it may be taxed for the amount that would have been collected had there not been an exemption.