

SB 919 A -A3 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Beau Olen, Economist

Meeting Dates: 4/26, 6/6

WHAT THE MEASURE DOES:

Provides, following filing of an annual claim, a property tax exemption for up to 5 years for a newly constructed accessory dwelling unit, or a newly converted duplex, triplex or quadplex, that is the occupant's primary residence. Applies to property tax years beginning on or after July 1, 2024. Takes effect 91st day after sine die.

ISSUES DISCUSSED:

- Exemption for units occupied as primary residence (proportion)
- Entire exemption lost if an exempt unit is no longer occupied as primary residence
- Local option (ordinance or resolution) not in SB 919-A
- SB 847

EFFECT OF AMENDMENT:

-A3 Allows a city or county to adopt an ordinance or resolution to grant, amend and repeal the property tax exemption. Provides a grandfather clause, allowing an exempt property to continue receiving the exemption under the terms in effect at the time the exemption was first granted.

BACKGROUND:

With the -A3 amendment, this is a permissive exemption that allows a city or county to adopt an ordinance or resolution to grant the property tax exemption. For the eligible property to be exempt, the combined property tax rate of taxing districts that support the ordinance must be at least 51 percent of the total combined tax rate. If the exemption takes effect, it applies to property taxes of all taxing districts for the eligible property. At any time, a city or county can adopt an ordinance or resolution to amend or repeal the exemption. However, a property that has been granted an exemption before the effective date of the amendment will continue to receive the exemption under the terms in effect at the time the exemption was first granted. The exemption is in addition to any other property tax relief, and it does not have a sunset date.

An exemption application must be submitted each year by the person responsible for paying property tax. If property that receives the exemption is sold, the exemption may continue if the property remains eligible and the annual application is submitted timely. The property is disqualified from exemption if there are new property or new improvements to property during the exemption term. Upon disqualification, back taxes become due.

For a newly converted duplex, triplex or quadplex, only the units occupied as a primary residence are eligible for exemption. A newly constructed accessory dwelling unit (ADU) must be occupied as a primary residence to be exempt, but the main dwelling unit doesn't need to be occupied as a primary residence because it is not eligible for exemption. If any exempt unit is no longer occupied as a primary residence, the entire property becomes ineligible for exemption.