

## Property Tax Exemption for Nonprofits: Emergency or Transitional Housing



Nonprofit organizations that provide emergency or transitional housing to low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons may be eligible for a property tax exemption if the property is used exclusively to conduct the exempt activity and is owned or leased by the nonprofit organization. Low-income means income that does not exceed eighty percent (80%) of the median income for the standard metropolitan statistical area in which the city or town is located.

To be eligible, the organization must provide temporary or transitional shelter and supportive service programs for the homeless in general, or a specific population of the homeless. Supportive services may include, but are not limited to, the following:

- Resume writing.
- Money management.
- Job training.
- Vocational and psychological counseling.
- Life skills training.
- Programs designed to facilitate the transition to independent living.
- Addiction education and support.
- Self-defense.

Emergency housing programs must have a documented length of stay limit of no more than **60 days**, while transitional housing programs must have a documented length of stay limit of no more than **two years**. The nonprofit organization may charge the tenant rent, however the rent may not exceed the actual cost to operate and maintain that tenant's portion of the housing.

The nonprofit organization must provide the Department of Revenue (department) with a detailed tenant list at the time of application and annually thereafter. The list must contain the following information:

- The date the individual or family moved in.
- The name of the person or head of household. If the tenant names are confidential, please contact the department for an alternative solution.
- The tenant's annual income.
- Amount of rent the facility charged and or collected.
- List of supportive services provided by the housing facility to help or assist the tenants.

## Annual renewals due Mar. 31

To keep your property tax exemption, you are required to submit an annual renewal. The department sends a notice each year in January, reminding nonprofits to renew their exemption online ([dor.wa.gov](http://dor.wa.gov)) prior to the Mar. 31 deadline.

If the department receives your renewal after Mar. 31, late fees of \$10.00 per month will be assessed. Failure to renew before Nov. 30, will result in the loss of the property tax exemption as of Jan. 1 of the current year.

Please recognize, when a nonprofit qualifies for a property tax exemption they must continue to meet the exemption criteria that allowed them to receive the tax benefit in the first place. If there is any change in use or activity, including the cessation of use or the sale of property, you must notify the department to determine whether the new use is exempt.

When an exempt property is no longer used for the purpose under which an exemption was granted, and has not been exempt for more than ten consecutive years, the property may be subject to the rollback provisions in RCW 84.36.810. All taxes which would have been paid had the property not been exempt during the three years preceding, or the life of the exemption, whichever is less, together with the interest at the same rate and computed in the same way as delinquent property taxes will be due.

## Loan and rental

Emergency or transitional housing organizations may loan or rent their exempt property to another nonprofit organization or public hospital district that would also qualify for exemption under RCW 84.36 for meetings, trainings, etc. on a single-use or hourly basis. Any rental income or donations received from the loan or rental cannot exceed maintenance and operation expenses for the portion of the property being loaned or rented.

If the property, or a portion of the property, is rented or loaned to any other entity, for their use exclusively, it may jeopardize the exemption. For example, if an office in the building is rented out to a local therapist on a month to month basis and the therapist is the only one that has access to that office while they are renting it, that portion of the property is not eligible for exemption and that portion of the property will be taxed.

Emergency or transitional housing organizations may also share their property for nonexempt activities up to 50 days per year. However, only 15 of those 50 days may be used for commercial or business activities.



## Fundraising

Fundraising events held on exempt property do not jeopardize the exemption, if the following are met:

- The event is sponsored by an exempt organization.
- Each event is limited to five days or less.
- 51% or more of the net proceeds collected at each event must be paid to the sponsoring exempt organization.
- The events are not frequent or regularly scheduled.

Fundraising activities that are regularly scheduled on a daily, weekly or monthly basis (such as a weekly/monthly bingo night) are considered to be business activity, rather than occasional fundraising events. These may only be conducted within the overall 15-day allowance for business activity.

## Refunds for prior years

If you paid prior years' property taxes because of a mistake, oversight, or a lack of knowledge about this program, you may be eligible for a refund. You must meet all of the qualifications for the exemption as if you had applied at the time the application was due. A late application fee will apply. In order to receive a refund, applications must be filed within three years of the date the taxes were due. Refunds will not be made beyond the three years.

## Appeal process

After the department reviews your initial application and/or renewal, they will issue a determination of taxability. If you do not agree with the department's determination, you have the right to appeal to the Washington State Board of Tax Appeals (Board). Your appeal must be filed with the Board within 30 calendar days of the date the determination was mailed or emailed. You must allow for mailing time within the 30 day period. To obtain an appeal form, call the Board at 360-753-5446 or visit their website at [www.bta.state.wa.us](http://www.bta.state.wa.us).

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## Frequently Asked Questions

**One of our tenants lost their job two weeks before they were scheduled to move out. They had already been in the transitional program for two years. Will we jeopardize our exemption if we grant them a six-month extension due to the loss of their job?**

Allowing tenants to stay beyond the two year limit conflicts with the exemption's requirements and would jeopardize the exemption on the parts of the property used by them, which would include all shared areas of the property.

**The adult daughter of one of our transitional housing tenants wants to share the tenant's room with her. She works full-time and can afford to pay market rent and is willing to pay \$1500 per month to share the tenant's room with her. Will that jeopardize the exemption?**

Any parts of the property not used exclusively to house low-income homeless persons or victims of domestic violence must be segregated and taxed. Only the portions of the property used exclusively for the exempt purpose would remain exempt from property taxes. Also, the nonprofit may not collect rent in excess of maintenance and operation for that portion of the property and market rent likely exceeds that amount.

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**One tenant has been in our transitional housing program for 18 months. They are not getting along with some of the other tenants and I'd like to move them to another facility that is also exempt as transitional housing. Does their two year length of stay start over?**

No. Participation in each program is limited to two years regardless of whether a tenant changes rooms or locations. However, if a tenant leaves one program's housing and enters a different program's housing, that could restart the two year clock. Also, if a tenant completes a nonprofit's program and moves out, but due to relapse, etc. returns to the same transitional house or another transitional house owned by the same nonprofit in order to restart the program, the two year stay limit resets.

**I am a local business owner and I own property that used to be a hotel. It is currently empty and winter is approaching. I'd like to open it up to be used as emergency overnight shelter this winter for the homeless. Will I qualify for a property tax exemption?**

To qualify for this exemption, you must meet the definition of a nonprofit organization or association in [RCW 84.36.800\(4\)](#), provide supportive services, and the length of stay policy cannot exceed 60 days. You may want to consider leasing the property to a nonprofit organization that would be eligible for the exemption.

**The tenants at one of our transitional housing facilities are victims of domestic violence and would like to keep their names confidential, am I required to submit a tenant list with my application and renewals?**

The department recognizes the need for confidentiality in some situations. You will need to make the nonprofit auditor assigned to your application or renewal aware of the situation and they will work out an alternative with you. Some of the alternatives that have been used in the past include using only the tenant's initials, program participation number, or aliases.

**One tenant has completed the two year stay, but cannot afford to move out on their own. I'm worried that if we require them to relocate they will be homeless and relapse. Will we lose our exemption if we let them stay longer?**

Unfortunately, the current laws do not allow tenants to remain in the program's housing any longer than two years. Allowing tenants to stay longer than two years, even with good cause, would jeopardize the property's exemption.

**Our residents have formed a house-painting business together. They use the garage to store all of their tools and supplies and the house office space to conduct scheduling, etc. Is this allowed?**

This activity is considered commercial or business activity and must be limited to no more than 15 days per year. Use in excess of 15 days would jeopardize the property's exemption.

## More information

RCW 84.36.043	WAC 458-16-165
RCW 84.36.805	WAC 458-16-320
RCW 84.36.810	WAC 458-16-150

## Questions?

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