

HB 231 Low Income Housing Property Tax Exemption

House Revenue and Taxation Committee

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Background: Permanent Supportive Housing (PSH) is a proven solution to homelessness for the most vulnerable chronically homeless people.

- PSH is an intervention that combines affordable housing assistance with voluntary high level support services to address the needs of people experiencing chronic homelessness people.
- The services are designed to build independent living and tenancy skills and connect people with community-based health care, treatment and employment services.
- There are an estimated 16 PSH properties with minimum 1,061 units supporting people experiencing chronic homelessness in Utah.

Issue: PSH properties have high operating costs. Due to the nature of PSH and the high acuity populations they serve, they essentially function as a charitable service and operate at a deficit.

- These properties are required by IRS section 42 to be structured as LLCs, making them ineligible for the charitable exemptions which are normally applied to nonprofit programs.
- Due to rent restrictions, the properties do not cash flow. When compared to traditional housing, which raises rent annually to cover costs increases and generate revenue, PSH properties cannot increase rent significantly and most often use vouchers, which are rent-restricted as well.
- For the past five years, Palmer Court, a 201-unit facility in Salt Lake City, has paid \$462,345.27 that could have been invested in property enhancements and additional support services if it was tax exempt.

Solution: Pass House Bill 231 to exempt Permanent Supportive Housing from paying property tax. Removing property tax allows providers to reroute that funding to capital needs, supportive services, and existing debt service. H.B. 231:

- Amends the definitions related to property tax exemptions in the Property Tax Act.
- Provides the circumstances under which a private owner of property used as permanent supportive housing qualifies as a "nonprofit entity" for purposes of the exclusive use property.



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