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**SUBSTITUTE SENATE BILL 5189**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Senate Housing & Local Government (originally sponsored by Senator Fortunato)

AN ACT Relating to promoting housing affordability by incentivizing the construction of American dream homes; adding a new section to chapter 36.70A RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; and providing an expiration date.

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

NEW SECTION. **Sec.**  A new section is added to chapter 36.70A RCW to read as follows:

(1) Until December 31, 2031, a person may request a permit for an American dream home in order to encourage the development of residential housing for low-income households.

(2) A new American dream home must be approved in a city or county if the following criteria are met:

(a) Each American dream home is exempt from impact fees under RCW 82.02.050;

(b) The city or county does not charge cumulative permitting fees for each American dream home that equal more than $1,250;

(c) Provisions, such as covenants or other restrictions, are included to ensure that each American dream home remains reserved for low-income households. The covenant or restriction must provide that the American dream home is occupied by the owner that is qualified under this section. If an American dream home is resold any time before December 31, 2031, the price must be affordable for low-income households;

(d) An American dream home must conform to the residential building code in effect in the jurisdiction where the home is built.

(3) For the purposes of this section:

(a) "Affordable" means residential housing which, as long as the same is occupied by low-income households, requires payment of monthly housing costs, including utilities other than telephone, of no more than 30 percent of the family's income, for a family earning 80 percent of the area median income.

(b) "American dream home" means an owner-occupied single-family residential detached dwelling of 1,700 square feet or less serving low-income households.

(c) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is less than 80 percent of the median family income adjusted for household size, for the city or county where the project is located.

(4) A city or county must report to the department by March 1, 2031, regarding the number of American dream home permits issued in its jurisdiction. The department must compile the data and report to the appropriate committees of the legislature regarding the participation by jurisdiction of the program.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) A city or county may receive a distribution equal to the state portion of the tax levied by RCW 82.08.020 in respect to:

(a) Charges for labor and services rendered in respect to the constructing of dwellings designated American dream homes, as provided in section 1 of this act;

(b) Sales of tangible personal property that will be incorporated as an ingredient or component of such dwellings during the course of the constructing; or

(c) Charges made for labor and services rendered in respect to installing, during the course of constructing such dwellings, fixtures not otherwise eligible for the exemption under RCW 82.08.02565.

(2)(a) The department must at least once annually remit to the city or county an estimated amount, as determined by the department, of state taxes collected during the prior calendar year with respect to section 1 of this act.

(b) The department must determine eligibility under this section based on information provided by the city or county and through audit and other administrative records.

(c) The city or county must, on an annual basis, submit an application, in a form and manner as required by the department by rule, containing any information the department deems necessary in determining remittance amounts under this section.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The provisions of this chapter do not apply with respect to the use of:

(a) Tangible personal property that will be incorporated as an ingredient or component in constructing of dwellings designated as American dream homes, as provided in section 1 of this act; or

(b) Labor and services rendered in respect to installing, during the course of constructing such dwellings, fixtures not otherwise eligible for the exemption under RCW 82.08.02565.

(2) The eligibility requirements and conditions in section 2 of this act apply to this section.

(3) This section is exempt from the provisions of RCW 82.32.805 and 82.32.808.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) The builder of an American dream home is allowed an annual credit against the tax due under this chapter as provided in this section. The credit equals four percent of the gross selling price of the home.

(2) The credit may be used against any tax due under this chapter, and may be carried over until used, except as provided in subsection (4) of this section. No refund may be granted for credits under this section.

(3) Credits earned under this section may be claimed only on returns filed electronically with the department using the department's online tax filing service or other method of electronic reporting as the department may authorize. The taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the sale of an American dream home.

(4) Credits allowed under this section can be earned for tax reporting periods through June 30, 2031. No credits can be claimed after June 30, 2032.

(5) This section is exempt from the provisions of RCW 82.32.808.

(6) This section expires July 1, 2032.

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