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**SENATE BILL 5986**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Senator Fortunato

AN ACT Relating to addressing homelessness through providing emergency shelter, incentivizing employment of workers experiencing homelessness, and building homes for a better future; adding a new section to chapter 43.185C RCW; adding a new section to chapter 36.01 RCW; adding new sections to chapter 36.70A RCW; adding new sections to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating new sections; and providing expiration dates.

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

NEW SECTION. **Sec.**  The legislature finds that homelessness has increased in Washington, and most of the current expenditures to address homelessness are not reducing homelessness but are in fact increasing homelessness. Homelessness is exacerbated by housing and environmental government policies that result in the lack of available and affordable housing and an increase in rents and increased costs and effectively reducing incomes making housing more difficult. In addition, homelessness is often caused by complex and long-term behavioral health conditions, substance addiction, or disabilities, or as a result of domestic violence. Every night, thousands of Washingtonians go to sleep in places not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings, and spaces on public land. The legislature finds that current policies to address homelessness in Washington are inadequate and must be addressed. The provision of mental health and substance abuse treatment options must be part of the solution. Cities and counties are struggling to cope with unauthorized camping and its negative environmental and social impacts. The legislature intends that persons experiencing homelessness be treated with dignity, care, and compassion. The legislature recognizes that Washingtonians have compassion for the homeless, but also expect that the homeless be required to take advantage of mental health and substance abuse treatment options and that those physically able should provide either a portion of their limited income or community service to repay taxpayers.

**ADDRESSING EMERGENCY SHELTER NEEDS**

NEW SECTION. **Sec.**  A new section is added to chapter 43.185C RCW to read as follows:

Subject to the availability of funds appropriated for this specific purpose, the department must provide grants to local governments or nonprofit organizations to meet the individual needs of persons experiencing homelessness to facilitate their transition to permanent housing. The grants must include graduated rental assistance programs that require participants to contribute either a percentage of their income to rent or to do community service in exchange for rental assistance.

NEW SECTION. **Sec.**  A new section is added to chapter 36.01 RCW to read as follows:

(1)(a) Every county and each city with a population over 50,000 must establish and operate at least one emergency overnight shelter site in its respective jurisdiction. Counties and each eligible city within the county's geographic boundary must coordinate to ensure that there are enough cumulative shelter beds to accommodate, at a minimum, the sheltered and unsheltered portions of the county's most recent point-in-time homeless count.

(b) Counties and each eligible city must make available employment, mental health, and drug counseling services at each shelter location with funding made available from the state operating budget or local funds as appropriated for these purposes. Shelter space must be prioritized to individuals who participate in services. Each shelter may prohibit the possession and use of alcohol and unprescribed drugs on its premises contingent upon evaluation for and compliance with treatment as recommended. Each shelter must provide a secure space for each person or family's belongings and provide personal security during shelter operating hours.

(2) Any county or city establishing a shelter under this section may utilize assistance under the housing trust fund pursuant to RCW 43.185.050 to acquire or build shelter. Any application for assistance under this section must receive priority.

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

(1) Each county that is required or chooses to plan under RCW 36.70A.040, and each city within such county, that purchases a hotel, as defined in RCW 19.48.010, with public funds for purposes of providing emergency housing or emergency shelter must limit the use and occupancy of such housing and shelters to the following:

(a) Persons with disabilities experiencing homelessness;

(b) Families experiencing homelessness including, but not limited to, pregnant women;

(c) Persons aged 60 years or more experiencing homelessness; or

(d) Other persons subject to the following conditions:

(i) Payment of no more than 30 percent of their annual median income toward rent or providing at least 24 hours of community service; and

(ii) Stays are limited for no longer than 90 days except between November and February.

(2) Each planning county and each city within such county must provide employment, mental health, drug counseling service, and job training opportunities and services at each emergency housing and shelter described under subsection (1) of this section.

NEW SECTION. **Sec.**  (1) The department of commerce must convene a work group to make recommendations on the creation of a statewide registration program for the purpose of registering persons experiencing homelessness who take advantage of housing, substance abuse treatment, mental health, or employment services.

(2) The work group must include relevant stakeholders including, but not limited to, homeless rights representatives, service provider representatives, and representatives from cities and counties.

(3) The work group must meet at least three times and evaluate the following:

(a) How to collect, organize, and protect demographic information;

(b) Which information should be collected and made disclosable in a database accessible by service providers;

(c) The need to implement a registration requirement over time and across specific state regions, and challenges in identifying persons who travel from region to region;

(d) Which types of persons experiencing homelessness should be exempted from a statewide registration requirement;

(e) The use of a statewide registration program database to prioritize provision of services to persons most likely to benefit;

(f) The feasibility of requiring service providers to report participation data as part of such a registration program;

(g) How to collect data regarding the number of persons:

(i) With mental health disorders who are offered services and accept or decline such services;

(ii) With substance abuse disorders who are offered sobriety programs and accept or decline such program services;

(iii) Offered employment services and who accept or decline such services; and

(iv) With active warrants and probation requirements and the outcome of contact with services; and

(h) Any other relevant factors or considerations discussed by the work group.

(4) The department of commerce must issue a final report, including any work group findings and recommendations, to the appropriate committees of the legislature by December 1, 2022.

(5) This section expires January 1, 2023.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 7 and 8, chapter . . ., Laws of 2022 (sections 7 and 8 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes these tax preferences as ones intended to induce certain designated behavior by taxpayers and create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

(3) It is the legislature's specific public policy objective to encourage the employment of certain unemployed persons, such as persons convicted of a felony and homeless persons. It is the legislature's intent to provide employers a credit against the business and occupation tax or public utility tax for hiring certain unemployed persons which would reduce an employer's tax burden thereby inducing employers to hire and create jobs for such persons. Pursuant to chapter 43.136 RCW, the joint legislative audit and review committee must review the business and occupation tax and public utility tax credit established under sections 7 and 8, chapter . . ., Laws of 2022 (sections 7 and 8 of this act) by December 31, 2031.

(4) If a review finds that the number of unemployed persons who meet the criteria in section 7(7)(c)(i) or 8(7)(c)(i) of this act decreased by 30 percent, then the legislature intends for the legislative auditor to recommend extending the expiration date of the tax preference.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee should refer to unemployment rates available from the employment security department and the bureau of labor statistics.

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

(1) A person is allowed a credit against the tax due under this chapter as provided in this section. The credit equals the lesser of 10 percent or $500 of wages and benefits paid to or on behalf of a qualifying employee, with a maximum of a $500 credit for each qualifying employee hired on or after October 1, 2022.

(2) No credit may be claimed under this section until a qualifying employee has been employed for at least three consecutive full calendar quarters.

(3) Unused credit may be carried over and used in subsequent tax reporting periods, except as provided in subsection (8) of this section. No refunds may be granted for credits under this section.

(4) If an employer discharges a qualifying employee for whom the employer has claimed a credit under this section, the employer may not claim a new credit under this section for a period of one year from the date the qualifying employee was discharged. However, this subsection (4) does not apply if the qualifying employee was discharged for misconduct, as defined in RCW 50.04.294, connected with his or her work or discharged due to a felony or gross misdemeanor conviction, and the employer contemporaneously documents the reason for discharge.

(5) 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. No application is required to claim the credit, but the taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the person's status as a qualifying employee under subsection (7)(c)(i) and (ii) of this section when hired by the taxpayer.

(6) No person may claim a credit against taxes due under both this chapter and chapter 82.16 RCW for the same qualifying employee.

(7) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Homeless person" has the same meaning as provided in RCW 43.185C.010.

(b) "Person convicted of a felony" means a person, including a juvenile as defined in RCW 13.40.020, convicted of a felony under state or federal statute who is hired within one calendar year after the last date that the person was convicted or released from a juvenile rehabilitation facility or prison.

(c) "Qualifying employee" means a person who meets all of the following requirements:

(i) Is a homeless person or a person convicted of a felony;

(ii) Was unemployed as defined in RCW 50.04.310 for at least 30 days immediately preceding the date that the person was hired by the person claiming the credit under this section; and

(iii) Is employed in a permanent full-time position for at least three consecutive full calendar quarters by the person claiming the credit under this section. For seasonal employers, "qualifying employee" also includes the equivalent of a full-time employee in work hours for two consecutive full calendar quarters. For purposes of this subsection (7)(c)(iii), "full-time" means a normal workweek of at least 35 hours.

(8) 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.

(9) This section expires July 1, 2032.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) A person is allowed a credit against the tax due under this chapter as provided in this section. The credit equals the lesser of 10 percent or $500 of wages and benefits paid to or on behalf of a qualifying employee, with a maximum of a $500 credit for each qualifying employee hired on or after October 1, 2022.

(2) No credit may be claimed under this section until a qualifying employee has been employed for at least three consecutive full calendar quarters.

(3) Unused credit may be carried over and used in subsequent tax reporting periods, except as provided in subsection (8) of this section. No refunds may be granted for credits under this section.

(4) If an employer discharges a qualifying employee for whom the employer has claimed a credit under this section, the employer may not claim a new credit under this section for a period of one year from the date the qualifying employee was discharged. However, this subsection (4) does not apply if the qualifying employee was discharged for misconduct, as defined in RCW 50.04.294, connected with his or her work or discharged due to a felony or gross misdemeanor conviction, and the employer contemporaneously documents the reason for discharge.

(5) 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. No application is required to claim the credit, but the taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the person's status as a qualifying employee under subsection (7)(c)(i) and (ii) of this section when hired by the taxpayer.

(6) No person may claim a credit against taxes due under both chapter 82.04 RCW and this chapter for the same qualifying employee.

(7) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Homeless person" has the same meaning as provided in RCW 43.185C.010.

(b) "Person convicted of a felony" means a person, including a juvenile as defined in RCW 13.40.020, convicted of a felony under state or federal statute who is hired within one calendar year after the last date that the person was convicted or released from a juvenile rehabilitation facility or prison.

(c) "Qualifying employee" means a person who meets all of the following requirements:

(i) Is a homeless person or a person convicted of a felony;

(ii) Was unemployed as defined in RCW 50.04.310 for at least 30 days immediately preceding the date that the person was hired by the person claiming the credit under this section; and

(iii) Is employed in a permanent full-time position for at least three consecutive full calendar quarters by the person claiming the credit under this section. For seasonal employers, "qualifying employee" also includes the equivalent of a full-time employee in work hours for two consecutive full calendar quarters. For purposes of this subsection (7)(c)(iii), "full-time " means a normal workweek of at least 35 hours.

(8) 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.

(9) This section expires July 1, 2032.

NEW SECTION. **Sec.**  (1) The department of commerce must establish a pilot program for cities to provide job opportunities to and hire persons experiencing homelessness for the purposes of local beautification projects. The pilot program must include three cities, two on the west side and one on the east side of the Cascade mountain range. The cities selected are strongly encouraged to administer their programs during the summer months.

(2) Persons experiencing homelessness who are hired under this pilot program must be paid at least the local minimum wage and be connected with organizations that provide wraparound housing services.

(3) The pilot program expires July 1, 2025. The cities selected to participate in the pilot program must provide a report to the appropriate committees of the legislature by December 1, 2025, that includes at least the following information: The number of persons experiencing homelessness hired during the pilot program, the number of such persons connected with wraparound housing services, strategies for hiring persons experiencing homelessness for other local projects, and any legislative recommendations.

(4) Persons experiencing homelessness who are hired under this pilot program are not considered state employees. Other provisions of law relating to civil service, hours of work, rate of compensation, sick leave, unemployment compensation, state retirement plans, and vacation leave do not apply to this pilot program, except for project supervisors, who must be city employees, and other administrative and supervisory personnel.

(5) The pilot program is considered an unemployment work-relief or work-training program as provided in RCW 50.44.040(4) and, as such, the services of persons experiencing homelessness under this pilot program are excluded from the term "unemployment" and unemployment compensation coverage. The department of commerce must advise the cities selected under the pilot program to notify such persons hired under the pilot program of this exclusion.

(6) For purposes of this section, "persons experiencing homelessness" means individuals living outside or in a building not meant for human habitation or which they have no legal right to occupy, in an emergency shelter, or in a temporary housing program that may include a transitional and supportive housing program if habitation time limits exist.

(7) This section expires January 1, 2027.

**BUILDING HOMES FOR A BETTER FUTURE**

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

(1) A city or county may permit American dream homes in order to encourage the development of residential housing for low-income households.

(2) A new American dream home may 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.

(3) For the purposes of this section:

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

(b) "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.

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 10 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 10 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 10 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 11 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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