

SENATE BILL REPORT

SB 5848

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, March 5, 2001

Title: An act relating to low-cost housing for low-income buyers.

Brief Description: Providing tax incentives for creating low-cost housing.

Sponsors: Senators Franklin, Winsley, Prentice, Benton, Fairley, Shin, Regala, Kline, Rasmussen, Patterson, Costa, McAuliffe and Fraser.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/20/01, 3/5/01 [DPS-WM].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5848 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Benton, Deccio, Fairley, Franklin, Hochstatter, Honeyford, Patterson, Rasmussen, Regala, West and Winsley.

Staff: Jack Brummel (786-7428)

Background: Credits and incentives applied to the business and occupation tax, sales tax and real estate excise tax may be an effective way of directing private resources into affordable housing. Tax exemptions and partial exemptions may be an effective way of making housing accessible to low-income households.

Summary of Substitute Bill: Individuals or businesses who make donations to nonprofit organizations that devote a majority of their resources to low cost housing construction, rehabilitation or preservation are eligible for a 25 percent business and occupation tax credit.

A sales or use tax exemption is available for materials and labor used to construct low-cost housing which is sold to a low-income buyer by the person claiming the exemption.

Low-cost housing— has a listed sales price of no more than two-thirds the median sales price for homes in the county, adjusted annually. Low-income buyer— means a buyer with an income of no more than 80 percent of the median family income for the county where the house is located.

An exemption from the state real estate excise tax is provided to sales of low cost housing to low-income buyers.

Substitute Bill Compared to Original Bill: Methods for determining the value of nonmonetary donations are specified in the substitute. The substitute also modifies definitions

and makes technical corrections. The original bill contained an exemption from the local real estate excise tax which is removed in the substitute.

Appropriation: None.

Fiscal Note: Requested on February 16, 2001.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: People of marginal means need assistance in purchasing homes. The bill provides incentives for producing more low-income housing.

Testimony Against: Increased housing costs affect all income levels. Taking away local tax revenues puts local governments at a disadvantage in meeting local infrastructure needs.

Testified: PRO: Senator Franklin, prime sponsor; Nick Federici, WA Low-Income Housing Congress; Trent Mattson, BIAW (con).