

SENATE BILL REPORT

SHB 1168

As Reported by Senate Committee On:
Housing Stability & Affordability, March 25, 2019
Ways & Means, April 9, 2019

Title: An act relating to sales and use and excise tax exemptions for self-help housing development.

Brief Description: Concerning sales and use and excise tax exemptions for self-help housing development.

Sponsors: House Committee on Finance (originally sponsored by Representatives Leavitt, Barkis, Kilduff, Jinkins, MacEwen, Goodman, Macri, Pollet, Callan, Wylie, Chapman, Valdez, Fey, Doglio and Kloba).

Brief History: Passed House: 3/08/19, 95-1.

Committee Activity: Housing Stability & Affordability: 3/20/19, 3/25/19 [DPA-WM].
Ways & Means: 4/03/19, 4/09/19 [DPA, w/oRec, DNP].

Brief Summary of Amended Bill

- Exempts the building and sale of self-help housing by an affordable homeownership facilitator from real estate excise tax.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Saldaña and Warnick.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Billig, Conway,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Darneille, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Carlyle.

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Staff: Jeffrey Mitchell (786-7438)

Background: Self-help housing organizations support low-income individuals and families by assisting them in the development of residential dwellings by using homebuyer and volunteer labor.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Sales and use taxes are due on the following construction services: constructing and improving new or existing buildings and structures; and installing, repairing, cleaning, improving, constructing, and decorating real and personal property for others.

Summary of Amended Bill: The sale by an affordable homeownership facilitator of self-help housing to a low-income household is exempt from REET. The REET exemption expires January 1, 2030.

"Affordable homeownership facilitator" means a nonprofit community or neighborhood-based organization that acts as a developer of self-help housing. "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below 80 percent of the median family income adjusted for household size. "Self-help housing" means dwelling residences provided for ownership by low-income individuals and families whose ownership requirement includes labor participation.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Replaces the sales and use tax exemptions with a real estate excise tax exemption.

EFFECT OF HOUSING STABILITY & AFFORDABILITY COMMITTEE AMENDMENT(S):

- Clarifies the tax preference performance statement is not intended to create a private right of action by any party.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on October 1, 2019.

Staff Summary of Public Testimony on Substitute House Bill (Housing Stability & Affordability): *The committee recommended a different version of the bill than what was heard.* PRO: Washington has an affordable housing crisis and many low-income families are struggling to be able to afford a home. Self-help housing organizations are an option that can provide the tools for making home ownership a reality. There is a minimal revenue impact to the state and local jurisdictions, but would allow self-help housing developers who are producing more than 150 units per year to increase production by 10 to 25 percent. This additional housing inventory will add property tax revenues and allow for development to occur sooner. The Housing Finance Commission supports these programs by providing mortgages and other types of financial assistance. Participants that put in their own labor, sometimes hundreds of hours, tend to stay in their homes longer than the average person.

Persons Testifying (Housing Stability & Affordability): PRO: Representative Mari Leavitt, Prime Sponsor; Carly Colgan, South Puget Sound Habitat for Humanity; Kim Herman, Washington State Housing Finance Commission; Chester Baldwin, Habitat for Humanity.

Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability): No one.

Staff Summary of Public Testimony on Bill as Amended by Housing Stability & Affordability (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: The legislation will have a minimal fiscal impact on the state. This bill will allow 40 low-income self-help housing developers, who are producing over 150 housing units a year, to increase production by 15 to 25 percent. It will allow for more buildable property to be developed adding more affordable housing inventory. This additional inventory will increase property tax revenues. In the last couple of years, we have seen quickly rising costs for land and labor with stagnant wages. This bill will allow more low-income individuals to achieve the dream of home ownership. Washington was the second state to adopt the self-help housing model under the USDA. These homeowners put in hundreds of hours to build their home in addition to working their normal jobs. It can take up to nine months and involves many weekends. Most of these families earn less than 80 percent of median income and some less than 50 percent of median income. We help provide lower-interest mortgages and down payment assistance. People that work on their own homes stay in their homes longer. The tax break could save a homeowner up to \$7,000.

Persons Testifying (Ways & Means): PRO: Shawna Dutton, South Puget Sound Habitat for Humanity; Kim Herman, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.