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**SUBSTITUTE HOUSE BILL 1168**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** House Finance (originally sponsored by Representatives Leavitt, Barkis, Kilduff, Jenkins, MacEwen, Goodman, Macri, Pollet, Callan, Wylie, Chapman, Valdez, Fey, Doglio, and Kloba)

1 AN ACT Relating to sales and use and excise tax exemptions for  
2 self-help housing development; adding a new section to chapter 82.08  
3 RCW; adding a new section to chapter 82.12 RCW; creating a new  
4 section; providing an effective date; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference  
7 performance statement for this act. This performance statement is  
8 only intended to be used for subsequent evaluation of the tax  
9 preference. It is not intended to create a private right of action by  
10 any part or be used to determine eligibility for a preferential tax  
11 treatment.

12 (2) The legislature categorizes the tax preference as one  
13 intended to induce certain designated behavior by taxpayers, as  
14 indicated in RCW 82.32.808(2)(a).

15 (3) It is the legislature's specific public policy objective to  
16 provide retail sales and use tax and real estate excise tax relief to  
17 developers of self-help housing to encourage continued development of  
18 self-help housing.

19 (4) The joint legislative audit and review committee is directed  
20 to review:

1 (a) The total number of taxpayers that claimed the tax  
2 preferences established in sections 2 and 3, chapter . . ., Laws of  
3 2019 (sections 2 and 3 of this act);

4 (b) The total amount of retail sales and use tax that was exempt  
5 with the tax preferences established in sections 2 and 3,  
6 chapter . . ., Laws of 2019 (sections 2 and 3 of this act);

7 (c) The total number of self-help units:

8 (i) Added to the stock of self-help units after the effective  
9 date of this section; and

10 (ii) For which any transaction qualified for any of the tax  
11 preferences established in sections 2 and 3, chapter . . ., Laws of  
12 2019 (sections 2 and 3 of this act); and

13 (d) The total revenue calculated in (b) of this subsection,  
14 divided by the number of self-help units calculated in (c) of this  
15 subsection.

16 (5) In order to obtain this section, the joint legislative audit  
17 and review committee may refer to department of revenue data, as well  
18 as any other available data source.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08  
20 RCW to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to charges  
22 made for labor and services rendered by or for any affordable  
23 homeownership facilitator in respect to the constructing, repairing,  
24 decorating, or improving of new or existing self-help housing, or to  
25 sales of tangible personal property that becomes an ingredient or  
26 component of the buildings or other structures during the course of  
27 the constructing, repairing, decorating, or improving the self-help  
28 housing. The exemption is available only if the buyer provides the  
29 seller with an exemption certificate in a form and manner required by  
30 the department.

31 (2) The exemption provided in this section for self-help housing  
32 only applies if the housing is built to the current building code for  
33 single-family dwellings according to the state building code, chapter  
34 19.27 RCW.

35 (3) Any self-help housing built under this section must be used  
36 as provided in this section for at least five consecutive years from  
37 the date the housing is approved for occupancy, or the full amount of  
38 tax otherwise due is immediately due and payable together with  
39 interest, but not penalties, from the date the housing was approved

1 for occupancy until the date of payment. If self-help housing ceases  
2 to be the primary dwelling of a low-income purchaser within the five  
3 consecutive years from the date the housing is approved for  
4 occupancy, the full amount of tax otherwise due is immediately due  
5 and payable with interest, but not penalties, from the date the  
6 housing ceases to be used as self-help housing until the date of  
7 payment. The amount due under this subsection is payable by the  
8 seller.

9 (4) The exemption provided in this section does not apply to  
10 housing built for the occupancy of an employee, family members of an  
11 employee, or persons on the board of trustees or directors, of an  
12 affordable homeownership facilitator.

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

15 (a) "Affordable homeownership facilitator" means a nonprofit  
16 community or neighborhood-based organization that is exempt from  
17 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue  
18 code of 1986, as amended, as of the effective date of this section  
19 and that is the developer of self-help housing.

20 (b) "Low-income" means household income as defined by the  
21 department, provided that the definition may not exceed eighty  
22 percent of median household income, adjusted for household size, for  
23 the county in which the dwelling is located.

24 (c) "Self-help housing" means dwelling residences provided for  
25 ownership by low-income individuals and families whose ownership  
26 requirement includes labor participation. "Self-help housing" does  
27 not include residential rental housing provided on a commercial basis  
28 to the general public.

29 (6) Affordable homeownership facilitators that claim this tax  
30 preference must annually provide the following information to the  
31 department, in a form and manner required by the department:

32 (a) The total number of self-help units:

33 (i) Added by the affordable homeownership facilitator after the  
34 effective date of this section; and

35 (ii) For which any purchase qualified for any of the tax  
36 preferences established in sections 2 and 3, chapter . . ., Laws of  
37 2019 (sections 2 and 3 of this act); and

38 (b) The total amount of retail sales and use tax that was exempt  
39 with the tax preferences established in sections 2 and 3,  
40 chapter . . ., Laws of 2019 (sections 2 and 3 of this act).

1 (7) This section expires January 1, 2030.

2 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12  
3 RCW to read as follows:

4 (1) The provisions of this chapter do not apply in respect to the  
5 use of tangible personal property that becomes an ingredient or  
6 component of buildings or structures used as self-help housing by any  
7 affordable homeownership facilitator during the course of  
8 constructing, repairing, decorating, or improving the buildings or  
9 other structures by any person.

10 (2) The exemption provided in this section for self-help housing  
11 only applies if the housing is built to the current building code for  
12 single-family dwellings according to the state building code, chapter  
13 19.27 RCW.

14 (3) Any self-help housing built under this section must be used  
15 as the primary dwelling of a low-income purchaser for at least five  
16 consecutive years from the date the housing is approved for  
17 occupancy.

18 (4) The exemption provided in this section does not apply to  
19 housing built for the occupancy of an employee, family members of an  
20 employee, or persons on the board of trustees or directors, of an  
21 affordable homeownership facilitator.

22 (5) The definitions and reporting requirements in section 2 of  
23 this act apply to this section.

24 (6) This section expires January 1, 2030.

25 NEW SECTION. **Sec. 4.** This act takes effect October 1, 2019.

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