
SECOND SUBSTITUTE SENATE BILL 5183

State of Washington

59th Legislature

2006 Regular Session

By Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Franklin, Thibaudeau, Rockefeller, Kastama, Fraser, Keiser, Regala, Weinstein, Hargrove, Doumit, Shin, Brandland, Kline, Kohl-Welles, Poulsen, Jacobsen and McAuliffe)

READ FIRST TIME 01/27/06.

1 AN ACT Relating to tax relief to promote affordable housing; adding
2 a new section to chapter 82.08 RCW; adding a new section to chapter
3 82.12 RCW; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
6 to read as follows:

7 (1)(a) A seller of a low-cost single-family dwelling unit
8 constructed by the seller who has paid the tax levied by RCW 82.08.020
9 is eligible for an exemption in the form of a remittance, provided that
10 the low-cost single-family dwelling unit is sold to a qualified low-
11 income buyer for use as that buyer's primary residence. The amount of
12 the remittance shall be computed under (b) of this subsection and shall
13 be based on the state share of sales tax under RCW 82.08.020.

14 (b) A seller of a low-cost single-family dwelling unit claiming an
15 exemption from the state tax in the form of a remittance under this
16 subsection must pay the tax imposed by RCW 82.08.020. After the low-
17 cost single-family dwelling unit is sold, the seller may then apply to
18 the department for a remittance of fifty percent of the tax paid under
19 RCW 82.08.020 on: (i) Tangible personal property incorporated as an

1 ingredient or component of the low-cost single-family dwelling unit
2 during the course of constructing such dwelling unit; (ii) charges made
3 for labor and services rendered in respect to the constructing of the
4 low-cost single-family dwelling unit; and (iii) charges made for labor
5 and services rendered in respect to installing building fixtures during
6 the course of constructing the low-cost single-family dwelling unit.

7 (c) The department shall on a quarterly basis remit exempted
8 amounts to qualifying sellers under this subsection, who submitted
9 applications during the previous quarter.

10 (2)(a) A qualified low-income buyer who constructs, contracts for
11 the construction of, or purchases a low-cost single-family dwelling
12 unit and who has paid the tax levied by RCW 82.08.020 is eligible for
13 an exemption in the form of a remittance, provided that the low-cost
14 single-family dwelling unit is used as the qualified low-income buyer's
15 primary residence.

16 (b) A qualified low-income buyer claiming an exemption from the
17 state tax in the form of a remittance under (a) of this subsection must
18 pay the tax imposed by RCW 82.08.020. After the qualified low-income
19 buyer obtains an occupancy permit from the local permit issuing
20 authority or otherwise has the right to occupy the low-cost single-
21 family dwelling unit, the qualified low-income buyer may then apply to
22 the department for a remittance of fifty percent of the tax paid under
23 RCW 82.08.020 on: (i) the purchase of the low-cost single-family
24 dwelling unit; (ii) tangible personal property incorporated as an
25 ingredient or component of the low-cost single-family dwelling unit
26 during the course of constructing such dwelling unit; (iii) charges
27 made for labor and services rendered in respect to the constructing of
28 the low-cost single-family dwelling unit; and (iv) charges made for
29 labor and services rendered in respect to installing building fixtures
30 during the course of constructing the low-cost single-family dwelling
31 unit.

32 (c) The department shall on a quarterly basis remit exempted
33 amounts to qualifying buyers under this subsection, who submitted
34 applications during the previous quarter.

35 (3) The department shall determine eligibility under this section
36 based on certification by the housing finance commission and through
37 audit and other administrative records. A seller or qualified
38 low-income buyer claiming an exemption under this section shall submit

1 an application to the department for a remittance under this section,
2 in a form and manner prescribed by the department, specifying the
3 amount of exempted tax claimed and the qualifying purchases for which
4 the exemption is claimed. As part of the application, the seller or
5 qualified low-income buyer shall provide to the department invoices or
6 other satisfactory proof of tax paid on the purchases for which an
7 exemption is claimed. The seller or qualified low-income buyer shall
8 also provide certification from the housing finance commission that the
9 low-cost single-family dwelling unit was sold to a qualified low-income
10 buyer or constructed or purchased by the qualified low-income buyer, to
11 be used as that buyer's primary residence.

12 (4) A seller of a low-cost single-family dwelling unit under this
13 section shall collect information from the buyer in order to provide
14 the housing finance commission, or the department upon audit of the
15 seller's records, with the information necessary for the commission or
16 department to determine whether the low-cost single-family dwelling
17 unit was sold to a qualified low-income buyer to be used as that
18 buyer's primary residence. The seller claiming the exemption is
19 required to keep any information regarding the buyer's income
20 confidential and can only provide such information to the commission or
21 the department for the purpose of this section.

22 (5) A buyer claiming the exemption, who meets the requirements of
23 subsection (2) of this section, must provide the housing finance
24 commission, or the department upon audit of the buyer's records, with
25 the information necessary for the commission or department to determine
26 whether the buyer is a qualified low-income buyer and that the low-cost
27 single-family dwelling unit is to be used as that buyer's primary
28 residence.

29 (6) For the purposes of this section, the following definitions
30 apply:

31 (a) "Low-cost single-family dwelling unit" means a single-family
32 dwelling unit, whether that unit be separate or part of a multiunit
33 dwelling, used as the qualified low-income buyer's primary residence
34 that had:

35 (i) A listed sales price;

36 (ii) An appraised value, if the unit was constructed by a qualified
37 low-income buyer; or

1 (iii) A sales price for the transfer of ownership in a condominium,
2 or other legal business entity where the ownership in the entity
3 represents the specific unit used as the qualified low-income buyer's
4 primary residence;
5 equal to or less than the applicable purchase price limits for new
6 construction properties for the county in which the dwelling unit is
7 located as specified in the homeownership program or programs of the
8 housing finance commission at the time of sale by a seller claiming an
9 exemption under subsection (1) of this section or at the time an
10 occupancy permit is obtained by a buyer claiming an exemption under
11 subsection (2) of this section obtains an occupancy permit or otherwise
12 has the legal right to occupy the low-cost single-family dwelling unit.
13 The housing finance commission shall determine whether the single-
14 family dwelling unit meets the sales price or appraised value
15 requirements of this definition. An appraisal for purposes of this act
16 must be conducted by either the county assessor or an appraiser
17 licensed to practice in the state.

18 (b) "Multiunit dwelling" means a building that contains two or more
19 dwelling units, including a building containing nonresidential units if
20 the building also contains two or more dwelling units. Multiunit
21 dwelling includes but is not limited to condominiums and buildings
22 containing two or more dwelling units where an ownership interest in a
23 business entity represents the ownership of specific dwelling units
24 within the building. Multiunit dwelling does not include hotels and
25 motels, dormitories, nursing homes or other care facilities, or
26 floating homes.

27 The exemption in this section only applies to the portion of the
28 multiunit dwelling in which the qualified low-income buyer resides and
29 does not apply to common areas. The applicable exemption shall be
30 determined by an apportionment method or methods provided by department
31 by rule.

32 (c) "Qualified low-income buyer" means a buyer who:

33 (i) Has an income of no more than eighty percent of the higher of
34 the: (A) Median family income, adjusted for household size, for the
35 county where the single-family dwelling unit is located; or (B) state
36 median income; and

37 (ii) Is an eligible participant in: (A) The homeownership program
38 or programs of the housing finance commission; or (B) a federal, state,

1 or local affordable housing program certified by the commission to be
2 meeting the same goals as the programs of the commission for the
3 purposes of this act.

4 (d) "Condominium" has the meaning provided in RCW 64.34.020.

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

7 (1)(a) A seller of a low-cost single-family dwelling unit who has
8 paid the tax levied by RCW 82.12.020 is eligible for an exemption in
9 the form of a remittance, provided that the low-cost single-family
10 dwelling unit is sold to a qualified low-income buyer for use as that
11 buyer's primary residence. The amount of the remittance shall be
12 computed under (b) of this subsection and shall be based on the state
13 share of use tax.

14 (b) A seller of a low-cost single-family dwelling unit claiming an
15 exemption from the state tax in the form of a remittance under this
16 section must pay the tax imposed by RCW 82.12.020. After the low-cost
17 single-family dwelling unit is sold, the seller may then apply to the
18 department for a remittance of fifty percent of the tax paid under RCW
19 82.12.020 on tangible personal property incorporated as an ingredient
20 or component of the low-cost single-family dwelling unit during the
21 course of constructing such dwelling unit, and charges made for labor
22 and services rendered in respect to the constructing of the low-cost
23 single-family dwelling unit, and charges made for labor and services
24 rendered in respect to installing building fixtures during the course
25 of constructing the low-cost single-family dwelling unit.

26 (c) The department shall on a quarterly basis remit exempted
27 amounts to qualifying sellers under this section, who submitted
28 applications during the previous quarter.

29 (2)(a) A qualified low-income buyer who constructs a low-cost
30 single-family dwelling unit and who has paid the tax levied by RCW
31 82.12.020 is eligible for an exemption in the form of a remittance,
32 provided that the low-cost single-family dwelling unit is used as the
33 qualified low-income buyer's primary residence.

34 (b) A qualified low-income buyer claiming an exemption from the
35 state tax in the form of a remittance under (a) of this subsection must
36 pay the tax imposed by RCW 82.12.020. After the qualified low-income
37 buyer obtains an occupancy permit from the local permit issuing

1 authority, the qualified low-income buyer may then apply to the
2 department for a remittance of fifty percent of the tax paid under RCW
3 82.12.020 on tangible personal property incorporated as an ingredient
4 or component of the low-cost single-family dwelling unit during the
5 course of constructing such dwelling unit, and charges made for labor
6 and services rendered in respect to installing building fixtures during
7 the course of constructing the low-cost single-family dwelling unit.

8 (c) The department shall on a quarterly basis remit exempted
9 amounts to qualifying buyers under this section, who submitted
10 applications during the previous quarter.

11 (3) A seller of a low-cost single-family dwelling unit claiming the
12 exemption under this section shall collect information from the buyer
13 in order to provide the housing finance commission, or the department
14 upon audit of the seller's records, with the information necessary for
15 the commission or department to determine whether the low-cost single-
16 family dwelling unit was sold to a qualified low-income buyer to be
17 used as that buyer's primary residence. The seller claiming the
18 exemption is required to keep any information regarding the buyer's
19 income confidential and can only provide such information to the
20 commission or the department for the purpose of this section.

21 (4) A qualified low-income buyer claiming the exemption, who meets
22 the requirements of subsection (2) of this section, must provide the
23 housing finance commission, or the department upon audit of the buyer's
24 records, with the information necessary for the commission or
25 department to determine whether the low-cost single-family dwelling
26 unit is to be used as that buyer's primary residence.

27 (5) The department shall determine eligibility under this section
28 based on certification by the housing finance commission and through
29 audit and other administrative records.

30 (6) The definitions in section 1 of this act apply to this section.

31 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2006.

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