

SENATE BILL REPORT

SHB 2138

As Passed Senate, April 12, 2017

Title: An act relating to tax relief for the construction of adapted housing for disabled veterans.

Brief Description: Concerning tax relief for the construction of adapted housing for disabled veterans.

Sponsors: House Committee on Finance (originally sponsored by Representatives Kraft, Kirby, Lovick, Klippert, Smith, Haler and McDonald).

Brief History: Passed House: 4/07/17, 95-1.

Committee Activity:

Floor Activity:

Passed Senate: 4/12/17, 49-0.

Brief Summary of Bill

- Exempts labor and materials for construction of adapted housing for disabled veterans from state sales and use taxes.
- Limits the exemption to \$2,500 for each project.
- Limits the total amount of exemptions for adapted housing to \$125,000 annually.

Staff: Dean Carlson (786-7305)

Background: Adapted Housing for Veterans. Specially adapted housing is designed to enhance accessibility, minimize barriers, or otherwise allow people with disabilities to move independently. The Department of Veterans Affairs (VA) provides two grants for adapted housing to members of the armed forces and veterans who have certain permanent and total service-connected disabilities. The grants are used to help the veterans purchase or construct an adapted home, or modify an existing home to accommodate a disability. The maximum Specially Adapted Housing (SAH) grant award is \$77,307, and the maximum Special Housing Adaptation (SHA) grant award is \$15,462. Additionally, veterans who receive either the SAH or the SHA grant may be eligible for a supplementary Home Improvements

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and Structural Alterations (HISA) grant of up to \$6,800. The current or most recent VA Rating Decision issued by the Veterans Service Center of jurisdiction establishes the veteran's or service member's basic eligibility for a SAH Grant.

Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services—including construction. 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 taxes apply to the value when used in this state. The state, all counties, and most 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.

Summary of Bill: Charges for the labor and materials purchased for the construction of adapted housing for disabled veterans are exempt from state sales and use tax, up to a project maximum of \$2,500. The exemption is available as a remittance through the Department of Revenue. The total amount of exemptions is limited to \$125,000 annually.

Qualifying adapted housing projects are those that have been approved by the VA as part of the SAH grant program, or the SHA grant program.

Eligible purchasers are the veterans who have received grants under these programs.

The tax preference is categorized as one intended to provide tax relief for certain individuals. The Joint Legislative Audit and Review Committee is required to review the preference by evaluating the number of exemption applications, and the number of adapted housing grants awarded. The preference has an automatic ten-year expiration date.

Appropriation: None.

Fiscal Note: Available.

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

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