
Finance Committee

SSB 5025

Brief Description: Concerning tax relief to encourage self-help housing development.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Das, Warnick, Wilson, C., Zeiger, Fortunato, Palumbo, Saldaña, Kuderer and O'Ban).

Brief Summary of Substitute Bill

- Provides a real estate excise tax exemption on the sale of self-help housing by an affordable homeownership facilitator to a low-income household.
- Defines "self-help housing," "affordable homeownership facilitator," and "low-income."

Hearing Date: 3/26/19

Staff: Richelle Geiger (786-7139).

Background:

Real Estate Excise Tax.

Real estate excise tax (REET) is assessed on the sale or transfer of real estate. The REET is assessed on the selling price, including the amount of any liens, mortgages, or other debts. The REET is typically paid by the seller of the property, although the buyer is liable if the REET is not paid. The state REET rate is 1.28 percent. City and county rates vary depending on location, ranging from 0.25 percent to 1.5 percent. Certain types of real estate transactions are statutorily exempt from REET.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the

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public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

A REET exemption is provided on the sale of self-help housing by an affordable homeownership facilitator to a low-income household.

"Self-help housing" is defined as dwelling residences provided for ownership by low-income individuals and families whose ownership requirement includes labor participation. "Self-help housing" does not include residential rental housing provided on a commercial basis to the general public.

"Affordable homeownership facilitator" is defined as a nonprofit community-based or neighborhood-based organization that acts as a developer of self-help housing and is exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) as of October 1, 2019.

"Low-income" is defined as household income as defined by the Department of Revenue (DOR), provided that the definition may not exceed eighty percent of median household income, adjusted for household size, for the county in which the dwelling unit is located.

The bill contains a TPPS in which the public policy objective is to provide a excise tax relief to encourage continued development of self-help housing. The JLARC is directed to review the total number of taxpayers that claim the preference and the total amount of tax revenue exempt under this bill, annually. The JLARC may refer to data from the DOR as well as any other available data source.

The bill expires on January 1, 2030.

Appropriation: None.

Fiscal Note: Available.

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