

# SENATE BILL REPORT

## SB 6179

---

---

As Reported By Senate Committee On:  
Financial Services, Insurance & Housing, February 3, 2004

**Title:** An act relating to low-cost housing for low-income buyers.

**Brief Description:** Providing tax incentives for creating low-cost housing.

**Sponsors:** Senators Franklin, Winsley, Hargrove, McAuliffe, Thibaudeau, Kohl-Welles, Kastama, Rasmussen, Fairley, Poulsen, Spanel, Keiser, Regala, Kline, Shin and Jacobsen.

**Brief History:**

**Committee Activity:** Financial Services, Insurance & Housing: 1/19/04, 2/3/04 [DP-WM].

---

### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

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

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

**Staff:** Fara Daun (786-7459)

**Background:** There are concerns that the supply of low-cost housing for low-income persons is inadequate. Tax exemptions and credits may provide an incentive for creation of additional supply.

**Summary of Bill:** Twenty-five percent of the value of a donation for the provision of low-cost housing to low-income buyers in Washington State may be credited against the imposed business and occupations tax. To be eligible, the donation must be made to an organization that devotes a majority of its resources to the development, rehabilitation, or preservation of affordable housing.

When the buyer of construction materials or labor and services for provision of low-cost housing for low-income buyers presents the seller with a exemption certificate that meets the requirements of the department, the construction materials or labor and services are exempt from the retail sales tax and from use tax provisions. The department shall require by rule that, if the unit of low-cost housing is not sold to a low-income buyer, the tax, together with interest and penalties, is immediately due and payable.

Sales of low-cost housing to low-income buyers are exempt from state and local real estate excise taxes.

Low-cost housing means housing that has a listed sales price of no more than two-thirds of the median sales price for homes in the county where the housing is located.

Low-income buyer means a buyer with an income of no more than 80 percent of the median family income, adjusted for size, for the county where the house is located.

**Appropriation:** None.

**Fiscal Note:** Requested on January 14, 2004.

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

**Testimony For:** Home ownership provides stability to families and communities. It is getting harder, despite interest rates, for low income persons to purchase homes because home prices are so high. In low income families home equity represents the largest portion of their assets and it is a much larger percentage of assets than in higher income families. This bill will only help to maintain the percentage of low income homeowners in our biggest urban areas and will not expand ownership. The current crisis in condominium insurance has represented a dramatic drop in the availability of affordable homes in King County, where condominiums are the largest supply of affordable housing. Sales tax represents about 10 percent of the cost of a house and impact fees represent about 20 percent of its cost. An adequate supply of affordable housing is very important to realtors and their clients. Suggest using Housing Trust Fund purchase price limits because median price information is not readily available.

**Testimony Against:** While supportive of the concept, any reduction in the local sales tax or in the real estate excise tax could have the unintended consequence of reducing the availability of housing. One-tenth percent of the real estate excise tax goes to housing.

**Testified:** Senator Rosa Franklin, sponsor (pro); Tony To, HomeSight (pro); Jean Wessman, Washington State Association of Counties (concerns); Kim Herman, Washington State Housing Finance Commission (pro); Bob Mitchell, Washington Association of Realtors (pro).