
SENATE BILL 6198

State of Washington

58th Legislature

2004 Regular Session

By Senator Benton

Read first time 01/14/2004. Referred to Committee on Financial Services, Insurance & Housing.

1 AN ACT Relating to restoring the American dream by eliminating the
2 state sales tax on construction labor and services in counties where
3 the first-time home buyers housing affordability index shows that
4 housing is not affordable; adding a new section to chapter 82.08 RCW;
5 and creating a new section.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that first-time home
8 buyers in Washington state have been priced out of the housing market
9 in many counties. The legislature finds that many organizations,
10 including local governments, have recognized the affordable housing
11 crisis for first-time home buyers. The legislature finds that, for
12 example, as reported in King county's benchmark growth report, "buying
13 a first home remains extremely difficult for those under one hundred
14 twenty percent of median income."

15 The legislature further finds that the state sales tax on
16 construction labor and services contributes to the high cost of housing
17 in many Washington counties, and that eliminating this tax will reduce
18 housing prices. The legislature also recognizes that the Washington
19 state tax structure study committee suggested that exempting

1 construction labor from the state sales tax would improve economic
2 vitality and harmonize Washington's sales tax provisions with other
3 nearby states.

4 The legislature intends to make housing more affordable for first-
5 time home buyers in counties where housing is currently not affordable
6 for first-time home buyers. The legislature intends to do this by
7 eliminating the state sales tax on construction labor and services in
8 counties where the first-time buyer housing affordability index
9 demonstrates that housing is not affordable for first-time home buyers.

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

12 (1)(a) As used in this chapter, "first-time buyer housing
13 affordability index" means the index determined by the Washington
14 center for real estate research that measures the ability of a typical
15 renter household to afford the purchase of a typical starter home by
16 assuming: (i) The household will purchase a home priced at eighty-five
17 percent of area median household income with a ten percent downpayment;
18 (ii) the home mortgage loan is for a term of thirty years at the
19 prevailing average fixed rate of interest; (iii) the potential first-
20 time home buyer earns seventy percent of the area median household
21 income and twenty-five percent of household income can be used for
22 principal and interest payments.

23 (b) For purposes of this chapter, a first-time buyer housing
24 affordability index of: (i) One hundred indicates that a household of
25 the defined income can afford a home of the defined price; (ii) less
26 than one hundred indicates that a household of the defined income
27 cannot afford a home of the defined price without spending more than
28 twenty-five percent of their income on mortgage payments; and (iii)
29 greater than one hundred indicates that a household of the defined
30 income can afford a home of the defined price while spending less than
31 twenty-five percent of their income on mortgage payments.

32 (2)(a) In any county in which the first-time buyer housing
33 affordability index, as defined by subsection (1) of this section and
34 as determined by the Washington center for real estate research at
35 Washington State University, is less than one hundred for three
36 quarters in any given year, or in any city located within a county in
37 which the first-time buyer housing affordability index, as defined by

1 subsection (1) of this section and as determined by the Washington
2 center for real estate research at Washington State University, is less
3 than one hundred for three quarters in any given year, for the
4 following two years, the tax imposed by RCW 82.08.020 does not apply to
5 the sale of or charge made for labor and services rendered in respect
6 to clearing land, moving earth, site preparation, constructing,
7 repairing, decorating, renovating, expanding, or improving of new or
8 existing buildings, structures, facilities, or any other improvement
9 under, upon, or above real property of or for new residential
10 construction within the specified county. This exemption from sales
11 tax is limited to the state share of the sales tax and does not apply
12 to any local sales tax.

13 (b) The year-long period measured by the Washington center for real
14 estate research under (a) of this subsection shall begin and end in the
15 third quarter of the calendar year. The time period for which the
16 exemption from the state sales tax under this chapter is in place under
17 (a) of this subsection shall begin January 1st of the year following
18 the determination by the Washington center for real estate research.

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