
**Community Development, Housing &
Tribal Affairs Committee**

HB 2795

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

Sponsors: Representatives Kirby, Muri and Kilduff.

Brief Summary of Bill

- Exempts from sales and use taxes all charges for construction of adapted housing for disabled veterans.
- Defines eligible adapted housing projects as those that have been approved by the Department of Veterans Affairs as part of the Specially Adapted Housing grant program or the Special Housing Adaptation grant program.

Hearing Date: 2/1/16

Staff: Sarah Emmans (786-7288).

Background:

Adapted Housing for Veterans.

Specially adapted housing is designed and constructed to minimize barriers, increase mobility, or otherwise allow disabled persons 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 \$73,768, and the maximum Special Housing Adaptation (SHA) grant award is \$14,754. Additionally, veterans who receive either the SAH or the SHA grant may be eligible for a supplementary Home Improvements and Structural Alterations (HISA) grant of up to \$8,800. In order to qualify for

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

the award, the veteran must have, among other proof, a rating letter from a VA physician that confirms the nature of the disability and the grant that the veteran is entitled to.

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 of property, digital product, or service when used in this state. The state, most cities, and all counties 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 3.1 percent, depending on the location.

Sales Tax Exemption for Automotive Adaptive Equipment.

Purchases by eligible disabled veterans of prescribed add-on automotive adaptive equipment are exempt from sales and use tax. This equipment includes all necessary to assist physically challenged persons in entering, exiting, or operating a motor vehicle.

Taxation of Construction Activities.

Prime contractors must collect retail sales tax from the purchaser of the construction project on the gross contract price (without deduction of costs incurred). Billing invoices must separately state the sales tax. If the contract requires retainage, sales tax must be computed before deducting such amounts. Retail construction services are sourced to the location where the construction takes place. A contractor is considered the consumer of items purchased for use in the construction process and not used as component parts of the finished structure, and therefore, retail sales tax must be paid to the vendors of such items. The purchase of materials by custom contractors that will become part of the completed project are purchases for resale (wholesale). Such purchases are not subject to retail sales tax. Reseller permits allow businesses to purchase items or services for resale without paying retail sales tax. Use tax is due if sales tax has not been paid on items the contractor uses as a consumer. Use tax is generally due (if sales tax has not been paid) on the following: equipment, tools, supplies, and rentals of equipment, even if the cost for these items is passed along to the purchaser of the construction project.

Summary of Bill:

Charges for the labor and materials purchased for the construction of adapted housing for disabled veterans are exempt from sales tax. Qualifying "adapted housing" projects are those that have been approved by the Department of Veterans Affairs as part of the Specially Adapted Housing grant program or the Special Housing Adaptation grant program. "Eligible purchasers" are the veterans who have received grants under these programs. Sellers (contractors) are required to complete an exemption certificate and to file taxes electronically, with the exemption taken as a deduction from gross sales.

The construction of qualifying adapted housing is exempted from the use tax.

The tax preference is categorized as one intended to provide tax relief for certain individuals. The Joint Legislative Audit Review Committee is required to review the preference by evaluating the number of qualifying adapted housing projects and the total relief provided to veterans.

The preference has an automatic 10-year expiration date.

The bill applies to construction projects paid for on or after July 1, 2016.

Appropriation: None.

Fiscal Note: Requested on 1/26/2016.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.