H-2060.1

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**SUBSTITUTE HOUSE BILL 1168**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** House Finance (originally sponsored by Representatives Leavitt, Barkis, Kilduff, Jinkins, MacEwen, Goodman, Macri, Pollet, Callan, Wylie, Chapman, Valdez, Fey, Doglio, and Kloba)

AN ACT Relating to sales and use and excise tax exemptions for self-help housing development; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; providing an effective date; and providing expiration dates.

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

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any part or be used to determine eligibility for a preferential tax treatment.

(2) The legislature categorizes the tax preference as one intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to provide retail sales and use tax and real estate excise tax relief to developers of self-help housing to encourage continued development of self-help housing.

(4) The joint legislative audit and review committee is directed to review:

(a) The total number of taxpayers that claimed the tax preferences established in sections 2 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act);

(b) The total amount of retail sales and use tax that was exempt with the tax preferences established in sections 2 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act);

(c) The total number of self-help units:

(i) Added to the stock of self-help units after the effective date of this section; and

(ii) For which any transaction qualified for any of the tax preferences established in sections 2 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act); and

(d) The total revenue calculated in (b) of this subsection, divided by the number of self-help units calculated in (c) of this subsection.

(5) In order to obtain this section, the joint legislative audit and review committee may refer to department of revenue data, as well as any other available data source.

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

(1) The tax levied by RCW  82.08.020  does not apply to charges made for labor and services rendered by or for any affordable homeownership facilitator in respect to the constructing, repairing, decorating, or improving of new or existing self-help housing, or to sales of tangible personal property that becomes an ingredient or component of the buildings or other structures during the course of the constructing, repairing, decorating, or improving the self-help housing. The exemption is available only if the buyer provides the seller with an exemption certificate in a form and manner required by the department.

(2) The exemption provided in this section for self-help housing only applies if the housing is built to the current building code for single-family dwellings according to the state building code, chapter  19.27  RCW.

(3) Any self-help housing built under this section must be used as provided in this section for at least five consecutive years from the date the housing is approved for occupancy, or the full amount of tax otherwise due is immediately due and payable together with interest, but not penalties, from the date the housing was approved for occupancy until the date of payment. If self-help housing ceases to be the primary dwelling of a low-income purchaser within the five consecutive years from the date the housing is approved for occupancy, the full amount of tax otherwise due is immediately due and payable with interest, but not penalties, from the date the housing ceases to be used as self-help housing until the date of payment. The amount due under this subsection is payable by the seller.

(4) The exemption provided in this section does not apply to housing built for the occupancy of an employee, family members of an employee, or persons on the board of trustees or directors, of an affordable homeownership facilitator.

(5) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Affordable homeownership facilitator" means a nonprofit community or neighborhood-based organization that is exempt from income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue code of 1986, as amended, as of the effective date of this section and that is the developer of self-help housing.

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

(c) "Self-help housing" means 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.

(6)Affordable homeownership facilitators that claim this tax preference must annually provide the following information to the department, in a form and manner required by the department:

(a) The total number of self-help units:

(i) Added by the affordable homeownership facilitator after the effective date of this section; and

(ii) For which any purchase qualified for any of the tax preferences established in sections 2 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act); and

(b) The total amount of retail sales and use tax that was exempt with the tax preferences established in sections 2 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act).

(7) This section expires January 1, 2030.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The provisions of this chapter do not apply in respect to the use of tangible personal property that becomes an ingredient or component of buildings or structures used as self-help housing by any affordable homeownership facilitator during the course of constructing, repairing, decorating, or improving the buildings or other structures by any person.

(2) The exemption provided in this section for self-help housing only applies if the housing is built to the current building code for single-family dwellings according to the state building code, chapter  19.27  RCW.

(3) Any self-help housing built under this section must be used as the primary dwelling of a low-income purchaser for at least five consecutive years from the date the housing is approved for occupancy.

(4) The exemption provided in this section does not apply to housing built for the occupancy of an employee, family members of an employee, or persons on the board of trustees or directors, of an affordable homeownership facilitator.

(5) The definitions and reporting requirements in section 2 of this act apply to this section.

(6) This section expires January 1, 2030.

NEW SECTION. **Sec.**  This act takes effect October 1, 2019.

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