
SUBSTITUTE HOUSE BILL 2135

State of Washington

69th Legislature

2026 Regular Session

By House Finance (originally sponsored by Representatives Barnard, Leavitt, Dufault, Schmidt, Abbarno, Low, Simmons, Richards, Rule, Paul, Shavers, Graham, Valdez, and Couture)

READ FIRST TIME 02/03/26.

1 AN ACT Relating to modifying and extending the adaptive housing
2 retail sales and use tax preference for disabled veterans; amending
3 RCW 82.08.0207 and 82.12.0207; amending 2017 c 176 s 1 (uncodified);
4 providing an effective date; and providing expiration dates.

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

6 **Sec. 1.** RCW 82.08.0207 and 2017 c 176 s 2 are each amended to
7 read as follows:

8 (1) (~~(A)~~) Until January 1, 2038, an eligible purchaser who has
9 paid the tax levied by RCW 82.08.020 on materials incorporated into,
10 and labor and services rendered in respect to, adapted housing is
11 eligible for an exemption from all or a portion of those taxes in the
12 form of a remittance. The total amount of a remittance that an
13 eligible purchaser may receive under this section and(~~/or~~) RCW
14 82.12.0207 is limited to (~~two thousand five hundred dollars~~) \$5,000
15 for each adapted housing project. The remittance under this section
16 is for the state portion of the sales tax only.

17 (2)(a) An eligible purchaser claiming an exemption from tax in
18 the form of a remittance under this section must pay the tax imposed
19 by RCW 82.08.020 on such purchases eligible for the remittance. The
20 eligible purchaser may then apply to the department for remittance of
21 all or part of the tax paid under RCW 82.08.020 on such purchases,

1 subject to the limits in subsections (1) and (3) of this section. As
2 part of the application, the eligible purchaser must provide proof of
3 eligibility for the remittance in the form of a copy of the grant
4 award letter from the United States department of veterans affairs,
5 construction contracts for adapted housing, and invoices for
6 purchases qualifying for a remittance under this section.

7 (b) An eligible purchaser may not apply for more than one
8 remittance under this section per calendar quarter.

9 (c) The department must on a quarterly basis remit exempted
10 amounts to eligible purchasers whose applications were approved by
11 the department during the previous quarter.

12 (3)(a) The remittance under this section is only available on a
13 first-in-time basis. The department must keep a running total of all
14 approved remittances under this section and(~~/or~~) RCW 82.12.0207
15 during each fiscal year. The department may not allow any remittance
16 that would cause the total amount of remittances allowed under this
17 section and(~~/or~~) RCW 82.12.0207 to exceed (~~one hundred twenty-five~~
18 ~~thousand dollars~~) \$250,000 in any fiscal year, unless additional
19 amounts are appropriated for this specific purpose.

20 (b) Beginning in fiscal year 2028, the individual remittance
21 amount in subsection (1) of this section and the statewide total
22 remittance amount in (a) of this subsection (3) must be adjusted
23 annually based on the United States bureau of labor statistics'
24 consumer price index for the Seattle area, as published by the bureau
25 of labor statistics of the United States department of labor.

26 (c) The department must provide notification on its website
27 monthly of the amount remaining before the statewide annual limit in
28 this subsection is reached.

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

31 (a) "Adapted housing" means a construction project that has been
32 approved by the United States department of veterans affairs as part
33 of the specially adapted housing grant program or the special housing
34 adaptation grant program to modify or construct a home so that it can
35 accommodate the needs of a disabled or severely disabled veteran.

36 (b) "Eligible purchaser" means a disabled or severely disabled
37 veteran who has received either a specially adapted housing grant or
38 a special housing adaptation grant from the United States department
39 of veterans affairs.

1 (c) "Special housing adaptation" has the same meaning,
2 eligibility requirements, and restrictions as "special home
3 adaptation grant" in 38 C.F.R. 3.809a, as of July 1, 2016.

4 (d) "Specially adapted housing" has the same meaning, eligibility
5 requirements, and restrictions as in 38 C.F.R. 3.809, as of July 1,
6 2016.

7 (5) This section expires January 1, 2039.

8 **Sec. 2.** RCW 82.12.0207 and 2017 c 176 s 3 are each amended to
9 read as follows:

10 (1) (~~(A)~~) Until January 1, 2038, an eligible purchaser who has
11 paid the tax levied by RCW 82.12.020 on materials incorporated as an
12 ingredient or component of adapted housing is eligible for an
13 exemption from all or a portion of that tax in the form of a
14 remittance.

15 (2) All of the eligibility requirements, conditions, limitations,
16 and definitions in RCW 82.08.0207 apply to this section.

17 (3) This section expires January 1, 2039.

18 **Sec. 3.** 2017 c 176 s 1 (uncodified) is amended to read as
19 follows:

20 (1)(a) The legislature finds that it is important to recognize
21 the service of veterans and to acknowledge the continued sacrifice of
22 those veterans who have service-connected physical disabilities. The
23 legislature further finds that many disabled veterans often need
24 customized, accessible housing in order to be self-sufficient and to
25 maintain a high quality of life. The legislature further finds that
26 disabled veterans have higher poverty rates than disabled
27 nonveterans. The legislature further finds that the federal
28 government provides a grant to assist disabled veterans with the
29 costs of constructing, modifying, or adapting their homes, but that
30 thousands of these dollars end up covering the sales or use tax owed
31 on these construction projects. The legislature further finds that
32 this results in a shift of cost to the same population of disabled
33 veterans whose burden the federal grant program is intended to ease.

34 (b) It is the legislature's intent to provide specific financial
35 relief for disabled veterans by providing a sales and use tax
36 exemption in the form of a remittance for the construction of adapted
37 housing for disabled veterans who have been awarded a federal grant
38 to modify their homes.

1 (2) (a) This section is the tax preference performance statement
2 for the tax preferences contained in (~~this act~~) sections 2 and 3,
3 chapter 176, Laws of 2017 and sections 1 and 2, chapter . . . , Laws
4 of 2026 (sections 1 and 2 of this act). This performance statement is
5 only intended to be used for subsequent evaluation of the tax
6 preferences. It is not intended to create a private right of action
7 by any party or be used to determine eligibility for preferential tax
8 treatment.

9 (b) The legislature categorizes the tax preferences in sections 2
10 (~~of this act~~) and 3, chapter 176, Laws of 2017 and sections 1 and
11 2, chapter . . . , Laws of 2026 (sections 1 and 2 of this act) as ones
12 intended to provide tax relief for certain businesses or individuals,
13 as indicated in RCW 82.32.808(2)(e).

14 (c) To measure the effectiveness of (~~this act~~) sections 2 and
15 3, chapter 176, Laws of 2017 and sections 1 and 2, chapter . . . ,
16 Laws of 2026 (sections 1 and 2 of this act) in achieving the specific
17 public policy objective described in subsection (1) of this section,
18 the joint legislative audit and review committee must, at minimum,
19 evaluate the following:

20 (i) The number of qualifying adapted housing projects, as
21 reported to the department of revenue through the remittance
22 application process on an annual basis; and

23 (ii) The total amount of adapted housing grants awarded to
24 veterans, as reported by the United States department of veterans
25 affairs.

26 (d) In addition to the data sources described under this section,
27 the joint legislative audit and review committee may use any other
28 data it deems necessary in performing the evaluation under this
29 subsection.

30 (e) The joint legislative audit and review committee must review
31 the tax preferences provided in (~~this act~~) sections 2 and 3,
32 chapter 176, Laws of 2017 and sections 1 and 2, chapter . . . , Laws
33 of 2026 (sections 1 and 2 of this act) as part of its normal review
34 process of tax preferences.

35 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2026.

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