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**SENATE BILL 5776**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** Senator Fortunato

1 AN ACT Relating to a new proposal to promote housing  
2 affordability by incentivizing the construction of American dream  
3 homes; adding a new section to chapter 36.70A RCW; adding a new  
4 section to chapter 82.08 RCW; adding a new section to chapter 82.04  
5 RCW; adding a new section to chapter 84.36 RCW; creating new  
6 sections; providing an effective date; and providing expiration  
7 dates.

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

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 36.70A  
10 RCW to read as follows:

11 (1) Until December 31, 2036, a person may request a permit for an  
12 American dream home in order to encourage the development of  
13 residential housing for low-income households.

14 (2) A permit for a new American dream home must be approved in a  
15 city or county according to the following criteria:

16 (a) Each American dream home is eligible to have impact fees  
17 imposed under RCW 82.02.050 offset by the state portion of the tax  
18 collected pursuant to chapters 82.08 and 82.12 RCW;

19 (b) The city or county may not charge cumulative permitting fees  
20 for each American dream home that exceed \$1,250, which must be offset  
21 by the funds described in section 4 of this act;

1 (c) Provisions, such as covenants or other restrictions, are  
2 applied to ensure that each American dream home remains reserved for  
3 low-income households for a period of seven years from the date of  
4 the first sale of the home to an owner who will occupy the home. The  
5 covenant or restriction must provide that the American dream home is  
6 occupied by the owner that is qualified under this section. If an  
7 American dream home is resold any time within seven years after  
8 purchase of the home by the first owner-occupier, the price must be  
9 affordable for low-income households; however, this resale price  
10 requirement does not apply in the case of foreclosure if all permit  
11 fees, impact fees, and taxes, related to the American dream home have  
12 been paid in full to the appropriate authority;

13 (d) An American dream home must conform to the applicable  
14 building codes in effect in the jurisdiction where the home is built;

15 (e) A city or county may not impose stormwater conditions that  
16 exceed the stringency of the department of ecology's construction  
17 stormwater general permit in effect on the date a complete  
18 application is received for the construction of an American dream  
19 home.

20 (3) (a) This section does not prohibit a county planning under RCW  
21 36.70A.040 from authorizing the extension of public facilities and  
22 utilities to serve residential building sites for an American dream  
23 home.

24 (b) A city or county may authorize the siting of an American  
25 dream home outside of the urban growth area, even where otherwise  
26 prohibited by a multicounty planning policy. If the city or county  
27 authorized the siting of a school outside of the urban growth area  
28 under this chapter, the city or county may determine that an American  
29 dream home must be connected to utilities or other similar  
30 infrastructure that was installed to serve the school.

31 (4) A city or county must annually report to the department until  
32 March 1, 2036, regarding the number of American dream home permits  
33 issued in its jurisdiction. The department must compile the data and  
34 report to the appropriate committees of the legislature regarding the  
35 participation by jurisdiction in the program.

36 (5) For the purposes of this section:

37 (a) "Affordable" means residential housing which, as long as the  
38 same is occupied by low-income households, requires payment of  
39 monthly housing costs, including utilities other than telephone, of

1 no more than 30 percent of the family's income, for a family earning  
2 80 percent of the area median income.

3 (b) "American dream home" means an owner-occupied single-family  
4 residential dwelling of 1,500 square feet or less serving low-income  
5 households.

6 (c) "Low-income household" means a single person, family, or  
7 unrelated persons living together whose adjusted income is less than  
8 70 percent of the median family income adjusted for household size,  
9 for the city or county where the project is located.

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

12 (1) A city or county must receive a distribution equal to the  
13 state portion of the tax levied by RCW 82.08.020 in respect to:

14 (a) Charges for labor and services rendered in respect to the  
15 constructing of dwellings designated American dream homes, as  
16 provided in section 1 of this act;

17 (b) Sales of tangible personal property that will be incorporated  
18 as a component of dwellings designated as American dream homes,  
19 during the course of construction;

20 (c) Charges made for labor and services rendered in respect to  
21 installing, during the course of constructing such dwellings,  
22 fixtures not otherwise eligible for the exemption under RCW  
23 82.08.02565; and

24 (d) Impact fees required by the city or county pursuant to a  
25 development under section 1 of this act.

26 (2) This section applies only to American dream homes meeting the  
27 requirements and conditions described in section 1 of this act.

28 (3) (a) The department must at least once annually remit to the  
29 city or county an estimated amount, as determined by the department,  
30 of state taxes collected during the prior calendar year with respect  
31 to subsection (1) of this section.

32 (b) The department must determine eligibility under this section  
33 based on information provided by the city or county and through audit  
34 and other administrative records.

35 (c) The city or county must, on an annual basis, submit an  
36 application, in a form and manner as required by the department by  
37 rule, containing any information the department deems necessary in  
38 determining remittance amounts under this section.

1 (4) The legislature intends for the distribution authorized under  
2 this section to be applied to the permitting costs incurred by the  
3 city or county related to the permitting of American dream homes, as  
4 defined in section 1 of this act.

5 (5) This section expires July 1, 2036.

6 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04  
7 RCW to read as follows:

8 (1)(a) The builder of an American dream home is allowed an annual  
9 credit against the tax due under this chapter as provided in this  
10 section. The credit equals four percent of the gross selling price of  
11 the American dream home.

12 (b) Credits under this section may only be earned on the sale of  
13 American dream homes meeting the requirements and conditions  
14 described in section 1 of this act.

15 (2) The credit may be used against any tax due under this  
16 chapter, and may be carried over until used, except as provided in  
17 subsection (4) of this section. No refund may be granted for credits  
18 under this section.

19 (3) Credits earned under this section may be claimed only on  
20 returns filed electronically with the department using the  
21 department's online tax filing service or other method of electronic  
22 reporting as the department may authorize. The taxpayer must keep  
23 records necessary for the department to determine eligibility under  
24 this section including records establishing the sale of an American  
25 dream home.

26 (4) Credits allowed under this section can be earned for tax  
27 reporting periods through June 30, 2036. No credits can be claimed  
28 after June 30, 2037.

29 (5) For the purposes of this section, "American dream home" has  
30 the same meaning as in section 1 of this act.

31 (6) This section expires July 1, 2038.

32 NEW SECTION. **Sec. 4.** A new section is added to chapter 84.36  
33 RCW to read as follows:

34 (1)(a) The value of an American dream home is exempt from  
35 property taxation for a period of seven years beginning January 1st  
36 of the year immediately following the calendar year in which  
37 construction of the American dream home is completed.

1 (b) The exemption under this section applies only to American  
2 dream homes meeting the requirements and conditions described in  
3 section 1 of this act.

4 (c) An American dream home receiving an exemption under this  
5 section is immediately subject to property taxation if at any point  
6 during the exemption period the home no longer meets the requirements  
7 and conditions in section 1 of this act.

8 (2) Claims for an exemption under this section must be filed with  
9 the county assessor on forms provided by the department and furnished  
10 by the county assessor.

11 (3) The department may promulgate such rules, pursuant to chapter  
12 34.05 RCW, as necessary to properly administer this section.

13 (4) At the conclusion of the exemption period, the value of the  
14 new housing must be considered as new construction for the purposes  
15 of chapters 84.55 and 36.21 RCW as though the property was not exempt  
16 under this section.

17 (5) For the purposes of this section, "American dream home" has  
18 the same meaning as in section 1 of this act.

19 NEW SECTION. **Sec. 5.** The legislature intends to appropriate  
20 amounts to the department of commerce sufficient to provide down  
21 payment assistance to buyers of American dream homes as defined in  
22 section 1 of this act and to reimburse cities and counties for  
23 revenue forgone under section 1 of this act.

24 NEW SECTION. **Sec. 6.** RCW 82.32.805 and 82.32.808 do not apply  
25 to this act.

26 NEW SECTION. **Sec. 7.** This act applies for taxes levied for  
27 collection in 2026 and thereafter.

28 NEW SECTION. **Sec. 8.** This act takes effect July 1, 2026.

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