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**SUBSTITUTE HOUSE BILL 1621**

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**State of Washington                      52nd Legislature                      1991 Regular Session**

**By** House Committee on Housing (originally sponsored by Representatives Mitchell, Nelson, Franklin, Ferguson, Haugen, Cooper, Rayburn, Roland, Wood, Wynne, Nealey, Zellinsky, Ogden, Ballard, Tate, Winsley, Paris, Forner, D. Sommers, Brough, Wilson and Leonard).

Read first time March 6, 1991.

1            AN ACT Relating to sales and use tax exemptions on the construction  
2 of multifamily rental housing; adding a new section to chapter 82.08  
3 RCW; and adding a new section to chapter 82.12 RCW.

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

5            NEW SECTION.    **Sec. 1.** A new section is added to chapter 82.08 RCW  
6 to read as follows:

7            (1) The tax levied by RCW 82.08.020 shall not apply to the retail  
8 sale of building materials used in the remodeling, rehabilitation, or  
9 new construction of affordable housing projects or to the labor used to  
10 incorporate such building materials into real estate. As used in this  
11 section, affordable housing project means residential rental housing in  
12 which either: (a) Twenty percent or more of the dwelling units in the  
13 structure are occupied by households with incomes at or below fifty  
14 percent of the median income, adjusted for household size, for the  
15 county where the project is located; or (b) forty percent or more of

1 the dwelling units in the structure are occupied by households with  
2 incomes at or below sixty percent of the median income, adjusted for  
3 household size, for the county where the project is located.

4 (2) In order to qualify for the exemption of retail sales tax on  
5 materials or labor under this section, the affordable housing project  
6 must meet the following requirements:

7 (a) The housing project must be located in Washington.

8 (b) The housing project must be owned by a nonprofit organization  
9 eligible to receive assistance through the Washington housing trust  
10 fund created in chapter 43.185 RCW.

11 (c) The housing project must contain two or more residential rental  
12 dwelling units.

13 (d) The housing project is an affordable housing project as defined  
14 in subsection (1) of this section. Rental units used on a transient  
15 basis shall not be considered under this section.

16 (e) The gross rent paid by tenants in dwelling units identified in  
17 subsection (1) of this section shall not exceed thirty percent of the  
18 applicable qualifying income, adjusted for household size, for the  
19 county where the project is located. As used in this subsection  
20 (2)(e), gross rent is considered to include all utilities, other than  
21 telephone expenses, but does not include payments under a federal,  
22 state, or local rent subsidy program designed to make the dwelling unit  
23 in the structure affordable to lower-income households.

24 (3) The department of revenue, in consultation with the department  
25 of community development, shall adopt rules specifying the  
26 administrative procedures applicable to applicants for exemption of  
27 retail sales tax on materials or labor, the form, manner, and time in  
28 which the applications shall be filed, the information to be contained  
29 therein, and criteria for the approval or denial of the requests for  
30 the exemption of retail sales tax on materials or labor under this

1 chapter. The rules shall apply to administrative procedure before both  
2 the department of revenue and the department of community development.

3 (4) The department of revenue shall grant an exemption of retail  
4 sales tax on materials or labor for affordable housing projects that  
5 are approved by the department of community development. The department  
6 of revenue shall keep a running total of exemptions granted under this  
7 section and section 2 of this act during each fiscal biennium. The  
8 department of revenue shall not allow any exemption which would cause  
9 the tabulation for a biennium to exceed three million dollars.

10 (5) This section shall expire on January 1, 2001, unless extended  
11 by law for an additional period of time.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW  
13 to read as follows:

14 (1) The provisions of this chapter shall not apply in respect to  
15 the use of building materials used in the remodeling, rehabilitation,  
16 or new construction of affordable housing projects or to the labor used  
17 to incorporate such building materials into real estate. As used in  
18 this section, affordable housing project means residential rental  
19 housing in which either: (a) Twenty percent or more of the dwelling  
20 units in the structure are occupied by households with incomes at or  
21 below fifty percent of the median income, adjusted for household size,  
22 for the county where the project is located; or (b) forty percent or  
23 more of the dwelling units in the structure are occupied by households  
24 with incomes at or below sixty percent of the median income, adjusted  
25 for household size, for the county where the project is located.

26 (2) In order to qualify for the exemption granted by this section,  
27 the affordable housing project must meet the following requirements:

28 (a) The housing project must be located in Washington.

1 (b) The housing project must be owned by a nonprofit organization  
2 eligible to receive assistance through the Washington housing trust  
3 fund created in chapter 43.185 RCW.

4 (c) The housing project must contain two or more residential rental  
5 dwelling units.

6 (d) The housing project is an affordable housing project as defined  
7 in subsection (1) of this section. Rental units used on a transient  
8 basis shall not be considered under this section.

9 (e) The gross rent paid by tenants in dwelling units identified in  
10 subsection (1) of this section shall not exceed thirty percent of the  
11 applicable qualifying income, adjusted for household size, for the  
12 county where the project is located. As used in this subsection  
13 (2)(e), gross rent is considered to include all utilities, other than  
14 telephone expenses, but does not include payments under a federal,  
15 state, or local rent subsidy program designed to make the dwelling unit  
16 in the structure affordable to lower-income households.

17 (3) The department of revenue, in consultation with the department  
18 of community development, shall adopt rules specifying the  
19 administrative procedures applicable to applicants for the tax  
20 exemption under this section, the form, manner, and time in which the  
21 applications shall be filed, the information to be contained therein,  
22 and criteria for the approval or denial of the requests for the tax  
23 exemption under this chapter. The rules shall apply to administrative  
24 procedure before both the department of revenue and the department of  
25 community development.

26 (4) The department of revenue shall grant a tax exemption under  
27 this section for affordable housing projects that are approved by the  
28 department of community development. The department of revenue shall  
29 keep a running total of exemptions granted under this section and  
30 section 1 of this act during each fiscal biennium. The department of

1 revenue shall not allow any exemption which would cause the tabulation  
2 for a biennium to exceed three million dollars.

3 (5) This section shall expire on January 1, 2001, unless extended  
4 by law for an additional period of time.