
SUBSTITUTE SENATE BILL 5183

State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Franklin, Thibaudeau, Rockefeller, Kastama, Fraser, Keiser, Regala, Weinstein, Hargrove, Doumit, Shin, Brandland, Kline, Kohl-Welles, Poulsen, Jacobsen and McAuliffe)

READ FIRST TIME 02/02/05.

1 AN ACT Relating to tax relief to promote affordable housing; adding
2 a new section to chapter 82.04 RCW; adding a new section to chapter
3 82.08 RCW; adding a new section to chapter 82.12 RCW; and providing an
4 effective date.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 (1) In computing the tax imposed under this chapter, a credit is
9 allowed for each person for twenty-five percent of the value of
10 donations made by the person to a nonprofit organization located in
11 Washington that is exempt from federal income tax under section
12 501(c)(3) of the internal revenue code that uses a majority of its
13 resources for the development, rehabilitation, or preservation of
14 affordable housing.

15 (2) The department shall provide a list that names nonprofit
16 organizations meeting the requirements of subsection (1) of this
17 section. The person claiming the credit shall provide the department
18 with information necessary to make the determination as to whether a

1 nonprofit organization meets the requirements under subsection (1) of
2 this section if the nonprofit organization is not on the list created
3 by the department.

4 (3) In the case of donated tangible items, the value of the
5 donation shall be determined in the same manner that the term "value of
6 the article used" is determined under RCW 82.12.010. In the case of
7 labor and services, the value of the donation shall be determined by
8 the allocation of the cost method using generally accepted accounting
9 standards.

10 (4) The credit under this section may be used against any tax due
11 under this chapter. Credits earned during one reporting period may be
12 carried over to subsequent reporting periods, however, no refunds may
13 be granted for credits under this section.

14 (5) No application is necessary for the tax credit, however, the
15 person must keep records necessary for the department to verify
16 eligibility under this section. These records include information
17 relating to a description of the property donated by the person.

18 (6) For the purposes of this section, "affordable housing" has the
19 same meaning as provided in RCW 43.185A.010.

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

22 (1) A person selling real property that includes a low-cost single-
23 family dwelling unit who has paid the tax levied by RCW 82.08.020 is
24 eligible for an exemption in the form of a remittance, provided that
25 the low-cost single-family dwelling unit is sold to a low-income buyer
26 for use as that buyer's primary residence. The amount of the
27 remittance shall be computed under subsection (2) of this section and
28 shall be based on the state share of sales tax under RCW 82.08.020.

29 (2)(a) A person claiming an exemption from the state tax in the
30 form of a remittance under this section must have paid the tax imposed
31 by RCW 82.08.020 either directly during the construction process or to
32 a contractor performing the construction. After the low-cost single-
33 family dwelling unit is sold, the person selling the real property may
34 then apply to the department for a remittance of fifty percent of the
35 tax paid under RCW 82.08.020 on construction materials or charges made
36 for labor and services used in the construction of a low-cost single-
37 family dwelling unit.

1 (b) The department shall determine eligibility under this section
2 based on information provided by the person selling the real property,
3 as the department may require, and through audit and other
4 administrative records.

5 (3) The department shall make rules to implement this section,
6 including requiring the person claiming the exemption to collect
7 information from the buyer in order to provide the department with the
8 information necessary for the department to determine whether the low-
9 cost single-family dwelling unit was sold to a low-income buyer to be
10 used as that buyer's primary residence. The person claiming the
11 exemption is required to keep any information regarding the buyer's
12 income confidential and can only provide such information to the
13 department for the purpose of this section.

14 (4) For the purposes of this section, the following definitions
15 apply:

16 (a) "Low-cost single-family dwelling unit" means a dwelling unit
17 used as the low-income buyer's primary residence that has a listed
18 sales price, or an appraised value if the unit was constructed by the
19 primary resident, of no more than two-thirds the median sales price for
20 the previous calendar year for single-family dwelling units in the
21 county where the housing is located, adjusted annually. The department
22 of community, trade, and economic development shall provide the
23 department with information necessary to determine whether the dwelling
24 unit meets the sales price or appraised value requirements of this
25 definition.

26 (b) "Person" has the same meaning as provided in RCW 82.04.030.

27 (c) "Single-family dwelling unit" means a single or multiunit
28 dwelling, including the land upon which the dwelling stands, but not to
29 exceed one-half acre per dwelling unit. The term also includes a share
30 ownership in a cooperative housing association, corporation, or
31 partnership if the person claiming exemption can establish that his or
32 her share represents the specific unit or portion of such structure in
33 which he or she resides. The term also includes a single-family
34 dwelling situated upon lands the fee of which is vested in the United
35 States or any instrumentality thereof including an Indian tribe or in
36 the state of Washington.

37 (d) "Low-income buyer" means a buyer who has an income of no more

1 than eighty percent of the median family income, adjusted for household
2 size, for the county where the dwelling unit is located.

3 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW
4 to read as follows:

5 (1) A person selling real property that includes a low-cost single-
6 family dwelling unit who has paid the tax levied by RCW 82.12.020 is
7 eligible for an exemption in the form of a remittance, provided that
8 the low-cost single-family dwelling unit is sold to a low-income buyer
9 for use as that buyer's primary residence. The amount of the
10 remittance shall be computed under subsection (2) of this section and
11 shall be based on the state share of use tax.

12 (2)(a) A person claiming an exemption from the state tax in the
13 form of a remittance under this section must have paid the tax imposed
14 by RCW 82.12.020 either directly during the construction process or to
15 a contractor performing the construction. After the low-cost single-
16 family dwelling unit is sold, the person selling the real property may
17 then apply to the department for a remittance of fifty percent of the
18 tax paid under RCW 82.12.020 on construction materials or charges made
19 for labor and services used in the construction of a low-cost single-
20 family dwelling unit.

21 (b) The department shall determine eligibility under this section
22 based on information provided by the person selling the real property,
23 as the department may require, and through audit and other
24 administrative records.

25 (3) The department shall make rules to implement this section,
26 including requiring the person claiming the exemption to collect
27 information from the buyer in order to provide the department with the
28 information necessary for the department to determine whether the low-
29 cost single-family dwelling unit was sold to a low-income buyer to be
30 used as that buyer's primary residence. The person claiming the
31 exemption is required to keep any information regarding the buyer's
32 income confidential and can only provide such information to the
33 department for the purpose of this section.

34 (4) The definitions in section 2 of this act apply to this section.

1 NEW SECTION. **Sec. 4.** This act takes effect August 1, 2005.

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