
Housing Committee

HB 1863

Brief Description: Eliminating the state sales tax on construction labor and services in counties where housing is not affordable for first-time buyers.

Sponsors: Representatives Dunn and McCune.

Brief Summary of Bill
<ul style="list-style-type: none">Eliminates the state retail sales tax on specific construction labor and services in counties, and cities within those counties, where the first-time buyer housing affordability is less than 100 for three quarters in the previous year.

Hearing Date: 2/5/07

Staff: Robyn Dupuis (786-7166).

Background:

First-Time Buyer Housing Affordability Index

The Washington Center for Real Estate Research calculates the "first-time buyer housing affordability index" using the following assumptions:

- the household will purchase a home priced at 85 percent of the median home price in the area with a 10 percent down payment;
- the mortgage loan is for 30 years at the prevailing interest rate; and
- 25 percent of household income can be used for mortgage payments.

The Washington Center for Real Estate Research collects affordability data on 36 of 39 counties in Washington. Of the 35 counties for which data is available for the last third quarter of 2006, 34 counties have a first-time buyer affordability index of less than 100. The two counties that have an affordability index of 100 or above are Adams and Benton. The three counties for which the affordability index is unknown are Klickitat, Lincoln and Skamania.

Retail Sales Tax

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods, as well as construction, including labor and services.

Summary of Bill:

State retail sales tax will not be charged for two years on specific construction labor and services in counties, and cities within those counties, where the first-time buyer housing affordability is less than 100 for three quarters in the previous year, as measured by the Washington Center for Real Estate Research.

For counties meeting the affordability condition, the exemption is provided to charges made for labor and services rendered in respect to clearing land, moving earth, site preparation, constructing, repairing, decorating, renovating, expanding, or improving of new or existing buildings, structures, facilities, or any other improvement under, upon, or above real property of or for new residential construction.

Appropriation: None.

Fiscal Note: Requested January 30, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.