
SENATE BILL 6532

State of Washington

65th Legislature

2018 Regular Session

By Senators Mullet, Angel, and Saldaña

Read first time 01/23/18. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to creating a Washington affordable housing tax
2 credit program; adding a new chapter to Title 82 RCW; creating a new
3 section; and providing an expiration date.

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

5 NEW SECTION. **Sec. 1.** DEFINITIONS. The definitions in this
6 section apply throughout this chapter unless the context clearly
7 requires otherwise.

8 (1) "Allocation certificate" means a statement issued by the
9 commission certifying that a given development qualifies for the
10 credit and specifying the amount of the credit allowed.

11 (2) "Commission" means the Washington state housing finance
12 commission or any board, body, commission, department, or officer
13 succeeding the principal functions of the commission or the entity to
14 whom the powers conferred upon the commission are given by law.

15 (3) "Compliance period" means the period of fifteen years
16 beginning with the first taxable year of the credit period.

17 (4) "Credit period" means the period of six taxable years
18 beginning with the taxable year in which a qualified development is
19 placed in service. If a qualified development is comprised of more
20 than one building, the development is deemed to be placed in service

1 in the taxable year during which the last building of the qualified
2 development is placed in service.

3 (5) "Federal tax credit" means the federal low-income housing tax
4 credit provided by Title 26 U.S.C. Sec. 42 of the federal internal
5 revenue code, as amended, as of the effective date of this section.

6 (6) "Qualified allocation plan" means the qualified allocation
7 plan adopted by the commission pursuant to Title 26 U.S.C. Sec. 42(m)
8 of the federal internal revenue code of 1986, as amended, as of the
9 effective date of this section.

10 (7) "Qualified basis" means the qualified basis of the qualified
11 development as determined pursuant to Title 26 U.S.C. Sec. 42 of the
12 federal internal revenue code of 1986, as amended, as of the
13 effective date of this section.

14 (8) "Qualified development" means a "qualified low-income housing
15 project," as that term is defined in Title 26 U.S.C. Sec. 42 of the
16 federal internal revenue code of 1986, as amended, as of the
17 effective date of this section, which is financed with tax-exempt
18 bonds pursuant to Title 26 U.S.C. Sec. 42(i)(2) of the federal
19 internal revenue code of 1986, as amended, as of the effective date
20 of this section and which is located in the state of Washington and
21 is determined by the commission to be eligible for a federal tax
22 credit whether or not a federal tax credit is allocated with respect
23 to said development.

24 (9) "Qualified taxpayer" means an individual, person, firm,
25 corporation, or other entity that owns an interest, direct or
26 indirect, in a qualified development and is subject to the taxes
27 imposed by RCW 48.14.020 or chapter 82.04 RCW.

28 (10) "Washington affordable housing tax credit" means the
29 Washington affordable housing tax credit allowed pursuant to section
30 2 of this act.

31 NEW SECTION. **Sec. 2.** CREDIT AGAINST TAX FOR LOW-INCOME HOUSING
32 DEVELOPMENTS. (1) For tax years during the credit period, any
33 qualified taxpayer is allowed a Washington affordable housing tax
34 credit with respect to the taxes imposed by RCW 48.14.020 or chapter
35 82.04 RCW, as provided in this chapter. In no event may any qualified
36 taxpayer claim a Washington affordable housing tax credit greater
37 than forty percent of the tax due pursuant to RCW 48.14.020 or
38 chapter 82.04 RCW, prior to application of any tax credits.

1 (2) The commission may allocate a credit to the owner of a
2 qualified development by issuing to the owner an allocation
3 certificate. The commission may determine the time at which such
4 allocation certificate is issued. The credit must be in an amount
5 determined by the commission, subject to the following guidelines:

6 (a) The credit is necessary for the financial feasibility of such
7 development;

8 (b)(i) In no event may a credit exceed the amount of federal tax
9 credit awarded to the qualified development;

10 (ii) The Washington affordable housing tax credit must be earned
11 over the six-year credit period notwithstanding the fact that the
12 federal tax credit is earned over ten years;

13 (iii) The annual Washington affordable housing tax credit may
14 exceed the annual federal tax credit, if the total Washington
15 affordable housing tax credit earned over six years is not greater
16 than the federal credit period earned over ten years;

17 (c) All allocations must be made pursuant to the qualified
18 allocation plan; and

19 (d) The aggregate sum of credits allocated annually may not
20 exceed the limits provided in subsection (6) of this section.

21 (3) If an owner of a qualified development receiving an
22 allocation of a credit is a partnership, limited liability company, S
23 corporation, or similar pass-through entity, the owner may allocate
24 the credit among its partners, shareholders, members, or other
25 constituent taxpayers in any manner agreed to by such persons and, in
26 the case of multiple tiers of pass-through entities, the credit may
27 be so allocated through any number of pass-through entities in any
28 manner agreed by the owners of such pass-through entities, none of
29 which may be considered a transfer. The owner must certify to the
30 department the amount of credit allocated to each constituent
31 taxpayer or the owner must notify the department that it has assigned
32 the duty of certification to one such constituent taxpayer, who must
33 provide such notification to the department. Each constituent
34 taxpayer is allowed to claim such amount subject to any restrictions
35 set forth in this section.

36 (4) No credit may be allocated pursuant to this section unless
37 the qualified development is the subject of a recorded restrictive
38 covenant requiring the development to be maintained and operated as a
39 qualified development, and is in accordance with the accessibility
40 and adaptability requirements of the federal tax credits and Title

1 VIII of the civil rights act of 1968, as amended by the fair housing
2 amendments act of 1988, for a period of fifteen taxable years, or
3 such longer period as may be agreed to between the commission and the
4 owner, beginning with the first taxable year of the credit period.

5 (5) The allocated credit amount may be taken against the taxes
6 imposed by RCW 48.14.020 or chapter 82.04 RCW for each taxable year
7 of the credit period. Any amount of credit that exceeds the tax due
8 for a taxable year may be carried forward as a tax credit against
9 subsequent years' tax liability imposed by RCW 48.14.020 or chapter
10 82.04 RCW up to eleven tax years following the tax year in which the
11 allocation was made and must be applied first to the earliest years
12 possible. Any amount of the credit that is not used may not be
13 refunded to the taxpayer.

14 (6) During each calendar year, the commission may allocate a
15 credit, the full amount of which may be claimed against the taxes
16 imposed by this chapter for each taxable year of the six-year credit
17 period. The aggregate amount of all credits allocated by the
18 commission in each calendar year may not exceed:

19 (a) Seven million dollars for credits allocated pursuant to
20 subsection (1) of this section;

21 (b) The amount of unallocated credits, if any, for the preceding
22 calendar years; and

23 (c) The amount of any credit recaptured or otherwise returned to
24 the commission in the calendar year.

25 (7) Unless otherwise provided in this section or the context
26 clearly requires otherwise, the commission must determine eligibility
27 for a credit and allocate credits in accordance with the standards
28 and requirements set forth in Title 26 U.S.C. Sec. 42 of the federal
29 internal revenue code of 1986, as amended, as of the effective date
30 of this section; however, any combination of federal tax credits and
31 Washington affordable housing tax credits allowed must be the least
32 amount necessary to ensure the financial feasibility of a qualified
33 development.

34 NEW SECTION. **Sec. 3.** RECAPTURE. If under Title 26 U.S.C. Sec.
35 42 of the internal revenue code, as amended, as of the effective date
36 of this section, a portion of any federal tax credits taken on a
37 qualified project is required to be recaptured during the first six
38 years after a project is placed in service, the taxpayer claiming
39 Washington affordable housing tax credits with respect to such

1 project is also required to recapture a portion of such credits. The
2 amount of Washington affordable housing tax credits subject to
3 recapture must be proportionately equal to the amount of federal tax
4 credits subject to recapture. In the event that recapture of any
5 Washington affordable housing tax credits is required in any tax
6 year, the return submitted for that tax year to the department must
7 include the proportion of credit required to be recaptured, the
8 identity of each taxpayer subject to the recapture, and the amount of
9 credit previously allocated to such taxpayer.

10 NEW SECTION. **Sec. 4.** FILING REQUIREMENTS. An owner of a
11 qualified development to which a credit has been allocated and each
12 qualified taxpayer to which such owner has allocated a portion of
13 said credit, if any, must file with their state tax return a copy of
14 the allocation certificate issued by the commission with respect to
15 such development and a copy of the certification to the department as
16 to the allocation of the credit among the qualified taxpayers having
17 ownership interests in such development.

18 NEW SECTION. **Sec. 5.** RULES. The commission and the department,
19 in consultation with each other, must adopt such rules as are
20 necessary to carry out responsibilities under this chapter.

21 NEW SECTION. **Sec. 6.** COMPLIANCE MONITORING. The commission, in
22 consultation with the department, must monitor and oversee compliance
23 with the provisions of this section and must report specific
24 occurrences of noncompliance to the department.

25 NEW SECTION. **Sec. 7.** REPORT TO LEGISLATURE. (1) For each
26 allocation year, the commission must, by December 31st of that year,
27 in compliance with RCW 43.01.036, provide a written report to the
28 appropriate committees of the legislature and must make the report
29 available to the public.

30 (2) With respect to Washington affordable housing tax credits
31 issued pursuant to this chapter, the report must:

32 (a) Specify the number of qualified developments that have been
33 allocated such tax credits during the allocation year and the total
34 number of units supported by each development;

35 (b) Describe each qualified development that has been allocated
36 such credits including, without limitation, the geographic location

1 of the development, the household type and any specific demographic
2 information available about residents intended to be served by the
3 development, the income levels intended to be served by the
4 development, and the rents or set-asides authorized for each
5 development; and

6 (c) Provide housing market and demographic information that
7 demonstrates how the qualified developments supported by the tax
8 credits are addressing the need for affordable housing within the
9 communities they are intended to serve as well as information about
10 any remaining disparities in the affordability of housing within
11 those communities.

12 NEW SECTION. **Sec. 8.** This chapter expires January 1, 2029.

13 NEW SECTION. **Sec. 9.** Sections 1 through 8 of this act
14 constitute a new chapter in Title 82 RCW.

15 NEW SECTION. **Sec. 10.** The provisions of RCW 82.32.808 do not
16 apply to this act.

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