

SENATE BILL REPORT

SB 5025

As of January 22, 2019

Title: An act relating to sales and use and excise tax exemptions for self-help housing development.

Brief Description: Creating sales and use and excise tax exemptions for self-help housing development.

Sponsors: Senators Das, Warnick, Wilson, C., Zeiger, Fortunato, Palumbo, Saldaña, Kuderer and O'Ban.

Brief History:

Committee Activity: Housing Stability & Affordability: 1/21/19.

Brief Summary of Bill

- Exempts the building and sale of self-help housing by an affordable homeownership facilitator from retail sales and use tax and the real estate excise tax.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Staff: Jeff Olsen (786-7428)

Background: The sale of real property is subject to the state real estate excise tax (REET). The tax base is the selling price of the real property, without any deduction for mortgages, liens, or other debts. The tax is typically paid by the seller and the state REET rate is 1.28 percent.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

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.

Self-help housing organizations support low-income individuals and families by assisting them in the development of residential dwellings by using homebuyer and volunteer labor.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Sales and use tax does not apply to charges made for labor and services rendered by any affordable homeownership facilitator in respect to constructing, repairing, or improving new or existing self-help housing. In addition, sales and use tax does not apply to sales of tangible personal property that becomes an ingredient or component of the buildings or other structures during the course of the constructing, repairing, or improving of self-help housing. The exemption only applies if the housing is built to current building code standards. If self-help housing ceases to be the primary dwelling of the initial low-income purchaser within the ten consecutive years from the date the housing is approved for occupancy, the full amount of tax otherwise due is due immediately, plus interest.

The sale by an affordable homeownership facilitator of self-help housing to a low-income household is exempt from REET. The REET exemption expires January 1, 2030.

"Affordable homeownership facilitator" means a nonprofit community or neighborhood-based organization that acts as a developer of self-help housing. "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below 80 percent of the median family income adjusted for household size. "Self-help housing" means dwelling residences provided for ownership by low-income individuals and families whose ownership requirement includes labor participation.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on October 1, 2019.

Staff Summary of Public Testimony on Proposed Substitute: PRO: The tax benefits in the bill create more affordable housing opportunities by exempting the non-profit organizations that develop housing options for low-income households. Habitat for Humanity provides opportunities for homeownership by partnering with participants in building housing. Participants in self-help housing provide sweat equity, and gain skills and a sense of pride in their home and their community. Homeownership increases the tax base and leads to better employment opportunities and health outcomes. The tax benefits in the bill will result in savings of approximately \$10,000 per house, and will result in a 15 percent increase in projects that can be initiated. Self-help housing programs also exist through the United States Department of Agriculture in rural areas, so the tax benefits will assist those communities as well. Typically participants in self-help housing programs stay in their homes.

Persons Testifying: PRO: Senator Mona Das, Prime Sponsor; Kim Herman, Washington State Housing Finance Committee; Denise Nicole Johnson, citizen; Joshua Townsley, Board.

Persons Signed In To Testify But Not Testifying: No one.