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**SENATE BILL 5776**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Senators Fortunato and J. Wilson

AN ACT Relating to a new proposal to promote housing affordability by incentivizing the construction of American dream homes; adding a new section to chapter 36.70A RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.04 RCW; adding a new section to chapter 84.36 RCW; creating new sections; providing an effective date; and providing expiration dates.

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

NEW SECTION. **Sec.**  A new section is added to chapter 36.70A RCW to read as follows:

(1) Until December 31, 2036, a person may request a permit for an American dream home in order to encourage the development of residential housing for low-income households.

(2) A permit for a new American dream home must be approved in a city or county according to the following criteria:

(a) Each American dream home is eligible to have impact fees imposed under RCW 82.02.050 offset by the state portion of the tax collected pursuant to chapters 82.08 and 82.12 RCW;

(b) The city or county may not charge cumulative permitting fees for each American dream home that exceed $1,250, which must be offset by the funds described in section 4 of this act;

(c) Provisions, such as covenants or other restrictions, are applied to ensure that each American dream home remains reserved for low-income households for a period of seven years from the date of the first sale of the home to an owner who will occupy the home. The covenant or restriction must provide that the American dream home is occupied by the owner that is qualified under this section. If an American dream home is resold any time within seven years after purchase of the home by the first owner-occupier, the price must be affordable for low-income households; however, this resale price requirement does not apply in the case of foreclosure if all permit fees, impact fees, and taxes, related to the American dream home have been paid in full to the appropriate authority;

(d) An American dream home must conform to the applicable building codes in effect in the jurisdiction where the home is built;

(e) A city or county may not impose stormwater conditions that exceed the stringency of the department of ecology's construction stormwater general permit in effect on the date a complete application is received for the construction of an American dream home.

(3)(a) This section does not prohibit a county planning under RCW 36.70A.040 from authorizing the extension of public facilities and utilities to serve residential building sites for an American dream home.

(b) A city or county may authorize the siting of an American dream home outside of the urban growth area, even where otherwise prohibited by a multicounty planning policy. If the city or county authorized the siting of a school outside of the urban growth area under this chapter, the city or county may determine that an American dream home must be connected to utilities or other similar infrastructure that was installed to serve the school.

(4) A city or county must annually report to the department until March 1, 2036, regarding the number of American dream home permits issued in its jurisdiction. The department must compile the data and report to the appropriate committees of the legislature regarding the participation by jurisdiction in the program.

(5) For the purposes of this section:

(a) "Affordable" means residential housing which, as long as the same is occupied by low-income households, requires payment of monthly housing costs, including utilities other than telephone, of no more than 30 percent of the family's income, for a family earning 80 percent of the area median income.

(b) "American dream home" means an owner-occupied single-family residential dwelling of 1,500 square feet or less serving low-income households.

(c) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is less than 70 percent of the median family income adjusted for household size, for the city or county where the project is located.

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

(1) A city or county must receive a distribution equal to the state portion of the tax levied by RCW 82.08.020 in respect to:

(a) Charges for labor and services rendered in respect to the constructing of dwellings designated American dream homes, as provided in section 1 of this act;

(b) Sales of tangible personal property that will be incorporated as a component of dwellings designated as American dream homes, during the course of construction;

(c) Charges made for labor and services rendered in respect to installing, during the course of constructing such dwellings, fixtures not otherwise eligible for the exemption under RCW 82.08.02565; and

(d) Impact fees required by the city or county pursuant to a development under section 1 of this act.

(2) This section applies only to American dream homes meeting the requirements and conditions described in section 1 of this act.

(3)(a) The department must at least once annually remit to the city or county an estimated amount, as determined by the department, of state taxes collected during the prior calendar year with respect to subsection (1) of this section.

(b) The department must determine eligibility under this section based on information provided by the city or county and through audit and other administrative records.

(c) The city or county must, on an annual basis, submit an application, in a form and manner as required by the department by rule, containing any information the department deems necessary in determining remittance amounts under this section.

(4) The legislature intends for the distribution authorized under this section to be applied to the permitting costs incurred by the city or county related to the permitting of American dream homes, as defined in section 1 of this act.

(5) This section expires July 1, 2036.

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

(1)(a) The builder of an American dream home is allowed an annual credit against the tax due under this chapter as provided in this section. The credit equals four percent of the gross selling price of the American dream home.

(b) Credits under this section may only be earned on the sale of American dream homes meeting the requirements and conditions described in section 1 of this act.

(2) The credit may be used against any tax due under this chapter, and may be carried over until used, except as provided in subsection (4) of this section. No refund may be granted for credits under this section.

(3) Credits earned under this section may be claimed only on returns filed electronically with the department using the department's online tax filing service or other method of electronic reporting as the department may authorize. The taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the sale of an American dream home.

(4) Credits allowed under this section can be earned for tax reporting periods through June 30, 2036. No credits can be claimed after June 30, 2037.

(5) For the purposes of this section, "American dream home" has the same meaning as in section 1 of this act.

(6) This section expires July 1, 2038.

NEW SECTION. **Sec.**  A new section is added to chapter 84.36 RCW to read as follows:

(1)(a) The value of an American dream home is exempt from property taxation for a period of seven years beginning January 1st of the year immediately following the calendar year in which construction of the American dream home is completed.

(b) The exemption under this section applies only to American dream homes meeting the requirements and conditions described in section 1 of this act.

(c) An American dream home receiving an exemption under this section is immediately subject to property taxation if at any point during the exemption period the home no longer meets the requirements and conditions in section 1 of this act.

(2) Claims for an exemption under this section must be filed with the county assessor on forms provided by the department and furnished by the county assessor.

(3) The department may promulgate such rules, pursuant to chapter 34.05 RCW, as necessary to properly administer this section.

(4) At the conclusion of the exemption period, the value of the new housing must be considered as new construction for the purposes of chapters 84.55 and 36.21 RCW as though the property was not exempt under this section.

(5) For the purposes of this section, "American dream home" has the same meaning as in section 1 of this act.

NEW SECTION. **Sec.**  The legislature intends to appropriate amounts to the department of commerce sufficient to provide down payment assistance to buyers of American dream homes as defined in section 1 of this act and to reimburse cities and counties for revenue forgone under section 1 of this act.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 do not apply to this act.

NEW SECTION. **Sec.**  This act applies for taxes levied for collection in 2026 and thereafter.

NEW SECTION. **Sec.**  This act takes effect July 1, 2026.

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