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SENATE BILL 5183

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State of Washington

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By Senators Franklin, Thibaudeau, Rockefeller, Kastama, Fraser, Keiser, Regala, Weinstein, Hargrove, Doumit, Shin, Brandland, Kline, Kohl-Welles, Poulsen, Jacobsen and McAuliffe

Read first time 01/17/2005. Referred to Committee on Financial Institutions, Housing & Consumer Protection.

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 adding a new  
4 section to chapter 82.45 RCW.

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 that is exempt  
11 from federal income tax under section 501(c)(3) of the internal revenue  
12 code that uses a majority of its resources for the development,  
13 rehabilitation, or preservation of affordable housing.

14 (2) The department of community, trade, and economic development  
15 shall provide the department with information necessary to make the  
16 determination as to whether a nonprofit organization meets the  
17 requirements under subsection (1) of this section. The department  
18 shall provide a list that names nonprofit organizations meeting the  
19 requirements of subsection (1) of this section.

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

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

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

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

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

19 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
20 construction materials or charges made for labor and services used in  
21 the construction of low-cost single-family dwelling units, but only if  
22 the buyer provides the seller with an exemption certificate in a form  
23 and manner prescribed by the department by rule. The seller shall  
24 retain a copy of the certificate for the seller's files.

25 (2) If the dwelling unit is sold for a price above the amount  
26 specified in subsection (4)(a) of this section, retail sales taxes for  
27 construction materials or charges made for labor and services used in  
28 the construction of low-cost single-family dwelling units are no longer  
29 exempt under subsection (1) of this section and are immediately due and  
30 payable together with interest and penalties by the seller of the  
31 dwelling unit.

32 (3) The department shall make rules to implement this section.

33 (4) For the purposes of this section, the following definitions  
34 apply:

35 (a) "Low-cost single-family dwelling unit" means a dwelling unit  
36 that has a listed sales price of no more than two-thirds the median  
37 sales price for single-family dwelling units in the county where the

1 housing is located, adjusted annually. The department of community,  
2 trade, and economic development shall provide the department with  
3 information necessary to make this determination.

4 (b) "Single-family dwelling unit" means a single or multiunit  
5 dwelling, including the land upon which the dwelling stands, but not to  
6 exceed one-half acre. The term also includes a share ownership in a  
7 cooperative housing association, corporation, or partnership if the  
8 person claiming exemption can establish that his or her share  
9 represents the specific unit or portion of such structure in which he  
10 or she resides. The term also includes a single-family dwelling  
11 situated upon lands the fee of which is vested in the United States or  
12 any instrumentality thereof including an Indian tribe or in the state  
13 of Washington.

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

16 (1) The provisions of this chapter do not apply to the use of  
17 construction materials or labor and services used in the construction  
18 of low-cost single-family dwelling units, but only if the buyer  
19 provides the seller with an exemption certificate in a form and manner  
20 prescribed by the department by rule. The seller shall retain a copy  
21 of the certificate for the seller's files.

22 (2) If the dwelling unit is sold for a price above the amount  
23 specified in section 2(4)(a) of this act, retail sales taxes for  
24 construction materials or charges made for labor and services used in  
25 the construction of low-cost single-family dwelling units are no longer  
26 exempt under subsection (1) of this section and are immediately due and  
27 payable together with interest and penalties by the seller of the  
28 dwelling unit.

29 (3) The department shall make rules to implement this section.

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

31 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.45 RCW  
32 to read as follows:

33 (1) Sales of real property meeting the following requirements are  
34 exempt from tax under this chapter:

35 (a) The real property must include a single-family dwelling unit.

1 (b) The selling price of the real property must be no more than  
2 two-thirds of the median sales price for single-family dwelling units  
3 in the county where the real property is located, adjusted annually.  
4 The department of community, trade, and economic development shall  
5 provide the department with information necessary to make this  
6 determination.

7 (c) The real property must be sold to a low-income buyer.

8 (2) To receive the exemption under this section, the buyer must  
9 file an application with the department in a form and manner required  
10 by the department. The application must include any documentation  
11 deemed necessary by the department to determine whether the applicant  
12 qualifies as a low-income buyer. If the application is approved, the  
13 buyer shall present a certificate issued by the department to the  
14 seller that states the buyer is exempt from tax under this chapter.  
15 The certificate shall be affixed to the instrument of sale under RCW  
16 82.45.090(1).

17 (3) For the purposes of this section, the following definitions  
18 apply:

19 (a) "Low-income buyer" means a buyer with an income of no more than  
20 eighty percent of the median family income, adjusted for household  
21 size, for the county where the dwelling unit is located. The  
22 department of community, trade, and economic development shall provide  
23 the department with information necessary to make this determination.

24 (b) "Single-family dwelling unit" has the same meaning as provided  
25 in section 2 of this act.

26 NEW SECTION. **Sec. 5.** If any provision of this act or its  
27 application to any person or circumstance is held invalid, the  
28 remainder of the act or the application of the provision to other  
29 persons or circumstances is not affected.

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