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**SENATE BILL 5802**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senator Fortunato

1 AN ACT Relating to establishing housing affordability zones;  
2 adding a new section to chapter 36.70A RCW; adding a new section to  
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding  
4 a new section to chapter 82.04 RCW; and providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 36.70A  
7 RCW to read as follows:

8 (1) A city or county required or choosing to plan under RCW  
9 36.70A.040 may designate housing affordability zones within a  
10 designated urban growth area in which to permit development of  
11 residential housing for low-income households. A city or county may  
12 only permit single-family residential housing within these housing  
13 affordability zones.

14 (2) A new housing affordability zone may be approved in a city or  
15 county planning under RCW 36.70A.040 if the following criteria are  
16 met:

17 (a) Any permits granted within the zone are limited to the  
18 development of owner occupied single-family residential detached  
19 dwellings serving low-income households;

20 (b) Each dwelling developed within the zone is exempt from impact  
21 fees under RCW 82.02.050;

1 (c) The city or county does not charge cumulative permitting fees  
2 for each dwelling within the zone that equal more than one thousand  
3 two hundred fifty dollars;

4 (d) Provisions are included to ensure that each dwelling  
5 developed within the zone remains reserved for low-income households;  
6 and

7 (e) In selecting potential zones, the city or county coordinates  
8 with the Washington state department of ecology and the department of  
9 commerce to identify possible sites for healthy housing remediation.

10 (3) "Low-income household," as used in this section, means a  
11 single person, family, or unrelated persons living together whose  
12 adjusted income is less than eighty percent of the median family  
13 income adjusted for household size, for the city or county where the  
14 project is located.

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

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

19 (a) Charges for labor and services rendered in respect to the  
20 constructing of dwellings in designated housing affordability zones,  
21 as provided in section 1 of this act;

22 (b) Sales of tangible personal property that will be incorporated  
23 as an ingredient or component of such dwellings during the course of  
24 the constructing; or

25 (c) Charges made for labor and services rendered in respect to  
26 installing, during the course of constructing such dwellings,  
27 fixtures not otherwise eligible for the exemption under RCW  
28 82.08.02565.

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

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

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

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

3        (1) The provisions of this chapter do not apply with respect to  
4    the use of:

5        (a) Tangible personal property that will be incorporated as an  
6    ingredient or component in constructing of dwellings in designated  
7    housing affordability zones, as provided in section 1 of this act; or

8        (b) Labor and services rendered in respect to installing, during  
9    the course of constructing such dwellings, fixtures not otherwise  
10   eligible for the exemption under RCW 82.08.02565.

11       (2) The definitions and eligibility requirements and conditions  
12   in section 2 of this act apply to this section.

13       (3) This section is exempt from the provisions of RCW 82.32.805  
14   and 82.32.808.

15       NEW SECTION.    **Sec. 4.**    A new section is added to chapter 82.04  
16    RCW to read as follows:

17       (1) A person is allowed an annual credit against the tax due  
18   under this chapter for ten years as provided in this section. The  
19   credit equals four percent of the taxable amount on the sale of an  
20   eligible single-family home sold under section 1 of this act.

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

25       (3) Credits earned under this section may be claimed only on  
26   returns filed electronically with the department using the  
27   department's online tax filing service or other method of electronic  
28   reporting as the department may authorize. No application is required  
29   to claim the credit, but the taxpayer must keep records necessary for  
30   the department to determine eligibility under this section including  
31   records establishing the sale of an eligible single-family home as  
32   provided in section 1 of this act.

33       (4) Credits allowed under this section can be earned for tax  
34   reporting periods through June 30, 2029. No credits can be claimed  
35   after June 30, 2030.

36       (5) This section is exempt from the provisions of RCW 82.32.808.

37       (6) This section expires July 1, 2030.

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