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**SENATE BILL 5027**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senators Fortunato, Padden, Holy, J. Wilson, Braun, Short, and Warnick

Prefiled 12/06/22.

1 AN ACT Relating to promoting housing affordability by  
2 incentivizing the construction of American dream homes; adding a new  
3 section to chapter 36.70A RCW; adding a new section to chapter 82.08  
4 RCW; adding a new section to chapter 82.12 RCW; adding a new section  
5 to chapter 82.04 RCW; creating new sections; providing an effective  
6 date; providing expiration dates; and declaring an emergency.

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

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

10 (1) Until December 31, 2033, a person may request a permit for an  
11 American dream home in order to encourage the development of  
12 residential housing for low-income households.

13 (2) A permit for a new American dream home must be approved in a  
14 city or county if the following criteria are met:

15 (a) Each American dream home is exempt from impact fees under RCW  
16 82.02.050;

17 (b) The city or county does not charge cumulative permitting fees  
18 for each American dream home that equal more than \$1,250;

19 (c) Provisions, such as covenants or other restrictions, are  
20 included to ensure that each American dream home remains reserved for  
21 low-income households. The covenant or restriction must provide that

1 the American dream home is occupied by the owner that is qualified  
2 under this section. If an American dream home is resold any time  
3 before December 31, 2033, the price must be affordable for low-income  
4 households;

5 (d) An American dream home must conform to the residential  
6 building code in effect in the jurisdiction where the home is built.

7 (3) (a) This chapter does not prohibit a county planning under RCW  
8 36.70A.040 from authorizing the extension of public facilities and  
9 utilities to serve residential building sites for an American dream  
10 home.

11 (b) A city or county may authorize the siting of an American  
12 dream home outside of the urban growth area, even where otherwise  
13 prohibited by a multicounty planning policy.

14 (4) For the purposes of this section:

15 (a) "Affordable" means residential housing which, as long as the  
16 same is occupied by low-income households, requires payment of  
17 monthly housing costs, including utilities other than telephone, of  
18 no more than 30 percent of the family's income, for a family earning  
19 80 percent of the area median income.

20 (b) "American dream home" means an owner-occupied single-family  
21 residential detached dwelling of 1,700 square feet or less serving  
22 low-income households.

23 (c) "Low-income household" means a single person, family, or  
24 unrelated persons living together whose adjusted income is less than  
25 80 percent of the median family income adjusted for household size,  
26 for the city or county where the project is located.

27 (5) A city or county must report to the department by March 1,  
28 2033, regarding the number of American dream home permits issued in  
29 its jurisdiction. The department must compile the data and report to  
30 the appropriate committees of the legislature regarding the  
31 participation by jurisdiction of the program.

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

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

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

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

4 (c) Charges made for labor and services rendered in respect to  
5 installing, during the course of constructing such dwellings,  
6 fixtures not otherwise eligible for the exemption under RCW  
7 82.08.02565.

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

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

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

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

22 (4) This section expires July 1, 2034.

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

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

27 (a) Tangible personal property that will be incorporated as an  
28 ingredient or component in constructing of dwellings designated as  
29 American dream homes, as provided in section 1 of this act; or

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

33 (2) The eligibility requirements and conditions in section 2 of  
34 this act apply to this section.

35 (3) This section expires July 1, 2034.

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

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

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

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

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

19 (4) Credits allowed under this section can be earned for tax  
20 reporting periods through June 30, 2033. No credits can be claimed  
21 after June 30, 2034.

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

24 (6) This section expires July 1, 2034.

25 NEW SECTION. **Sec. 5.** (1) (a) The value of an American dream home  
26 is exempt from property taxation for a period of 12 years beginning  
27 January 1st of the year immediately following the calendar year in  
28 which construction of the American dream home is completed.

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

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

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

1 (3) The department may promulgate such rules, pursuant to chapter  
2 34.05 RCW, as necessary to properly administer this section.

3 (4) The exemption under this section applies to both the value of  
4 new construction and the underlying land.

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

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

11 NEW SECTION. **Sec. 6.** The provisions of RCW 82.32.805 and  
12 82.32.808 do not apply to this act.

13 NEW SECTION. **Sec. 7.** This act applies for taxes levied for  
14 collection in 2024 and thereafter.

15 NEW SECTION. **Sec. 8.** This act is necessary for the immediate  
16 preservation of the public peace, health, or safety, or support of  
17 the state government and its existing public institutions, and takes  
18 effect July 1, 2023.

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