

JLBC Fiscal Note

BILL # SB 1401

SPONSOR: Payne

PREPARED BY: Hans Olofsson

TITLE: ~~special plate; golf tournament charity~~
S/E: housing; contractors; bonds; taxes

STATUS: As Amended by House RED

Description

The bill would allow municipalities to establish and maintain a workforce housing project expedited plan review and permitting process. A "workforce housing project" refers to a residential project that constructs new dwelling units that are affordable to households earning no more than 150% of the area median income. The bill would also exempt workforce housing projects from the state's portion of the prime contracting Transaction Privilege Tax (TPT). The bill would become effective 12 months after the general effective date.

Estimated Impact

We estimate that the General Fund would incur an annual revenue loss of \$(127,100) based on the experience of one organization likely to be eligible for the TPT exemption. Due to a lack of information on future housing projects by this organization or others that may be eligible for the TPT exemption, we consider our estimate to be highly uncertain.

Analysis

Our estimate assumes the following:

- 1) Based on committee testimonies, we are currently aware of at least one organization that would likely qualify for the bill's partial TPT exemption, a global nonprofit organization that builds affordable homes for families with often limited means.
- 2) According to information available on the website for this organization, a total of 1,200 new homes have been constructed by this organization over the last 40 years, or on average 30 new homes per year.
- 3) The same website indicates that the average cost of building a home by the organization ranges between \$110,000 and \$185,000. For the purpose of this analysis, we used close to the middle of this cost range, or \$150,000. (Note that while the "market value" of these homes is often much higher, the actual building cost is low due to donated labor and materials.)
- 4) Based on the information above, we estimate that the total annual construction cost is \$4,500,000 [= 30 homes x \$150,000 construction cost per home].
- 5) Under state's prime contracting tax, there is an automatic 35% deduction for labor costs. This means that the amount subject to prime contracting TPT is \$2,925,000.
- 6) Applying the state TPT rate of 5%, we estimate that the amount of state contracting TPT revenue under current law is \$146,300.
- 7) Under the statutory TPT distribution formula, the General Fund retains 86.9% of this amount (or \$127,100) while the remaining 13.1% (or \$19,200) is distributed to local governments (cities and counties).
- 8) Therefore, if this bill is enacted, we estimate that the General Fund would incur a revenue loss of \$(127,100) relative to current law.
- 9) Since there would be no change in the distribution of state TPT to cities and counties, there would be no fiscal impact on local governments.

3/30/26