
SENATE BILL 5986

State of Washington

67th Legislature

2022 Regular Session

By Senator Fortunato

1 AN ACT Relating to addressing homelessness through providing
2 emergency shelter, incentivizing employment of workers experiencing
3 homelessness, and building homes for a better future; adding a new
4 section to chapter 43.185C RCW; adding a new section to chapter 36.01
5 RCW; adding new sections to chapter 36.70A RCW; adding new sections
6 to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW;
7 adding a new section to chapter 82.08 RCW; adding a new section to
8 chapter 82.12 RCW; creating new sections; and providing expiration
9 dates.

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

11 NEW SECTION. **Sec. 1.** The legislature finds that homelessness
12 has increased in Washington, and most of the current expenditures to
13 address homelessness are not reducing homelessness but are in fact
14 increasing homelessness. Homelessness is exacerbated by housing and
15 environmental government policies that result in the lack of
16 available and affordable housing and an increase in rents and
17 increased costs and effectively reducing incomes making housing more
18 difficult. In addition, homelessness is often caused by complex and
19 long-term behavioral health conditions, substance addiction, or
20 disabilities, or as a result of domestic violence. Every night,
21 thousands of Washingtonians go to sleep in places not meant for human

1 habitation, such as cars, parks, sidewalks, abandoned buildings, and
2 spaces on public land. The legislature finds that current policies to
3 address homelessness in Washington are inadequate and must be
4 addressed. The provision of mental health and substance abuse
5 treatment options must be part of the solution. Cities and counties
6 are struggling to cope with unauthorized camping and its negative
7 environmental and social impacts. The legislature intends that
8 persons experiencing homelessness be treated with dignity, care, and
9 compassion. The legislature recognizes that Washingtonians have
10 compassion for the homeless, but also expect that the homeless be
11 required to take advantage of mental health and substance abuse
12 treatment options and that those physically able should provide
13 either a portion of their limited income or community service to
14 repay taxpayers.

15 ADDRESSING EMERGENCY SHELTER NEEDS

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.185C
17 RCW to read as follows:

18 Subject to the availability of funds appropriated for this
19 specific purpose, the department must provide grants to local
20 governments or nonprofit organizations to meet the individual needs
21 of persons experiencing homelessness to facilitate their transition
22 to permanent housing. The grants must include graduated rental
23 assistance programs that require participants to contribute either a
24 percentage of their income to rent or to do community service in
25 exchange for rental assistance.

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 36.01
27 RCW to read as follows:

28 (1)(a) Every county and each city with a population over 50,000
29 must establish and operate at least one emergency overnight shelter
30 site in its respective jurisdiction. Counties and each eligible city
31 within the county's geographic boundary must coordinate to ensure
32 that there are enough cumulative shelter beds to accommodate, at a
33 minimum, the sheltered and unsheltered portions of the county's most
34 recent point-in-time homeless count.

35 (b) Counties and each eligible city must make available
36 employment, mental health, and drug counseling services at each
37 shelter location with funding made available from the state operating

1 budget or local funds as appropriated for these purposes. Shelter
2 space must be prioritized to individuals who participate in services.
3 Each shelter may prohibit the possession and use of alcohol and
4 unprescribed drugs on its premises contingent upon evaluation for and
5 compliance with treatment as recommended. Each shelter must provide a
6 secure space for each person or family's belongings and provide
7 personal security during shelter operating hours.

8 (2) Any county or city establishing a shelter under this section
9 may utilize assistance under the housing trust fund pursuant to RCW
10 43.185.050 to acquire or build shelter. Any application for
11 assistance under this section must receive priority.

12 NEW SECTION. **Sec. 4.** A new section is added to chapter 36.70A
13 RCW to read as follows:

14 (1) Each county that is required or chooses to plan under RCW
15 36.70A.040, and each city within such county, that purchases a hotel,
16 as defined in RCW 19.48.010, with public funds for purposes of
17 providing emergency housing or emergency shelter must limit the use
18 and occupancy of such housing and shelters to the following:

19 (a) Persons with disabilities experiencing homelessness;

20 (b) Families experiencing homelessness including, but not limited
21 to, pregnant women;

22 (c) Persons aged 60 years or more experiencing homelessness; or

23 (d) Other persons subject to the following conditions:

24 (i) Payment of no more than 30 percent of their annual median
25 income toward rent or providing at least 24 hours of community
26 service; and

27 (ii) Stays are limited for no longer than 90 days except between
28 November and February.

29 (2) Each planning county and each city within such county must
30 provide employment, mental health, drug counseling service, and job
31 training opportunities and services at each emergency housing and
32 shelter described under subsection (1) of this section.

33 NEW SECTION. **Sec. 5.** (1) The department of commerce must
34 convene a work group to make recommendations on the creation of a
35 statewide registration program for the purpose of registering persons
36 experiencing homelessness who take advantage of housing, substance
37 abuse treatment, mental health, or employment services.

1 (2) The work group must include relevant stakeholders including,
2 but not limited to, homeless rights representatives, service provider
3 representatives, and representatives from cities and counties.

4 (3) The work group must meet at least three times and evaluate
5 the following:

6 (a) How to collect, organize, and protect demographic
7 information;

8 (b) Which information should be collected and made disclosable in
9 a database accessible by service providers;

10 (c) The need to implement a registration requirement over time
11 and across specific state regions, and challenges in identifying
12 persons who travel from region to region;

13 (d) Which types of persons experiencing homelessness should be
14 exempted from a statewide registration requirement;

15 (e) The use of a statewide registration program database to
16 prioritize provision of services to persons most likely to benefit;

17 (f) The feasibility of requiring service providers to report
18 participation data as part of such a registration program;

19 (g) How to collect data regarding the number of persons:

20 (i) With mental health disorders who are offered services and
21 accept or decline such services;

22 (ii) With substance abuse disorders who are offered sobriety
23 programs and accept or decline such program services;

24 (iii) Offered employment services and who accept or decline such
25 services; and

26 (iv) With active warrants and probation requirements and the
27 outcome of contact with services; and

28 (h) Any other relevant factors or considerations discussed by the
29 work group.

30 (4) The department of commerce must issue a final report,
31 including any work group findings and recommendations, to the
32 appropriate committees of the legislature by December 1, 2022.

33 (5) This section expires January 1, 2023.

34 NEW SECTION. **Sec. 6.** (1) This section is the tax preference
35 performance statement for the tax preferences contained in sections 7
36 and 8, chapter . . ., Laws of 2022 (sections 7 and 8 of this act).
37 This performance statement is only intended to be used for subsequent
38 evaluation of the tax preference. It is not intended to create a

1 private right of action by any party or be used to determine
2 eligibility for preferential tax treatment.

3 (2) The legislature categorizes these tax preferences as ones
4 intended to induce certain designated behavior by taxpayers and
5 create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

6 (3) It is the legislature's specific public policy objective to
7 encourage the employment of certain unemployed persons, such as
8 persons convicted of a felony and homeless persons. It is the
9 legislature's intent to provide employers a credit against the
10 business and occupation tax or public utility tax for hiring certain
11 unemployed persons which would reduce an employer's tax burden
12 thereby inducing employers to hire and create jobs for such persons.
13 Pursuant to chapter 43.136 RCW, the joint legislative audit and
14 review committee must review the business and occupation tax and
15 public utility tax credit established under sections 7 and 8,
16 chapter . . ., Laws of 2022 (sections 7 and 8 of this act) by
17 December 31, 2031.

18 (4) If a review finds that the number of unemployed persons who
19 meet the criteria in section 7(7)(c)(i) or 8(7)(c)(i) of this act
20 decreased by 30 percent, then the legislature intends for the
21 legislative auditor to recommend extending the expiration date of the
22 tax preference.

23 (5) In order to obtain the data necessary to perform the review
24 in subsection (4) of this section, the joint legislative audit and
25 review committee should refer to unemployment rates available from
26 the employment security department and the bureau of labor
27 statistics.

28 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.04
29 RCW to read as follows:

30 (1) A person is allowed a credit against the tax due under this
31 chapter as provided in this section. The credit equals the lesser of
32 10 percent or \$500 of wages and benefits paid to or on behalf of a
33 qualifying employee, with a maximum of a \$500 credit for each
34 qualifying employee hired on or after October 1, 2022.

35 (2) No credit may be claimed under this section until a
36 qualifying employee has been employed for at least three consecutive
37 full calendar quarters.

1 (3) Unused credit may be carried over and used in subsequent tax
2 reporting periods, except as provided in subsection (8) of this
3 section. No refunds may be granted for credits under this section.

4 (4) If an employer discharges a qualifying employee for whom the
5 employer has claimed a credit under this section, the employer may
6 not claim a new credit under this section for a period of one year
7 from the date the qualifying employee was discharged. However, this
8 subsection (4) does not apply if the qualifying employee was
9 discharged for misconduct, as defined in RCW 50.04.294, connected
10 with his or her work or discharged due to a felony or gross
11 misdemeanor conviction, and the employer contemporaneously documents
12 the reason for discharge.

13 (5) Credits earned under this section may be claimed only on
14 returns filed electronically with the department using the
15 department's online tax filing service or other method of electronic
16 reporting as the department may authorize. No application is required
17 to claim the credit, but the taxpayer must keep records necessary for
18 the department to determine eligibility under this section including
19 records establishing the person's status as a qualifying employee
20 under subsection (7)(c)(i) and (ii) of this section when hired by the
21 taxpayer.

22 (6) No person may claim a credit against taxes due under both
23 this chapter and chapter 82.16 RCW for the same qualifying employee.

24 (7) The definitions in this subsection apply throughout this
25 section unless the context clearly requires otherwise.

26 (a) "Homeless person" has the same meaning as provided in RCW
27 43.185C.010.

28 (b) "Person convicted of a felony" means a person, including a
29 juvenile as defined in RCW 13.40.020, convicted of a felony under
30 state or federal statute who is hired within one calendar year after
31 the last date that the person was convicted or released from a
32 juvenile rehabilitation facility or prison.

33 (c) "Qualifying employee" means a person who meets all of the
34 following requirements:

35 (i) Is a homeless person or a person convicted of a felony;

36 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
37 days immediately preceding the date that the person was hired by the
38 person claiming the credit under this section; and

39 (iii) Is employed in a permanent full-time position for at least
40 three consecutive full calendar quarters by the person claiming the

1 credit under this section. For seasonal employers, "qualifying
2 employee" also includes the equivalent of a full-time employee in
3 work hours for two consecutive full calendar quarters. For purposes
4 of this subsection (7)(c)(iii), "full-time" means a normal workweek
5 of at least 35 hours.

6 (8) Credits allowed under this section can be earned for tax
7 reporting periods through June 30, 2031. No credits can be claimed
8 after June 30, 2032.

9 (9) This section expires July 1, 2032.

10 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.16
11 RCW to read as follows:

12 (1) A person is allowed a credit against the tax due under this
13 chapter as provided in this section. The credit equals the lesser of
14 10 percent or \$500 of wages and benefits paid to or on behalf of a
15 qualifying employee, with a maximum of a \$500 credit for each
16 qualifying employee hired on or after October 1, 2022.

17 (2) No credit may be claimed under this section until a
18 qualifying employee has been employed for at least three consecutive
19 full calendar quarters.

20 (3) Unused credit may be carried over and used in subsequent tax
21 reporting periods, except as provided in subsection (8) of this
22 section. No refunds may be granted for credits under this section.

23 (4) If an employer discharges a qualifying employee for whom the
24 employer has claimed a credit under this section, the employer may
25 not claim a new credit under this section for a period of one year
26 from the date the qualifying employee was discharged. However, this
27 subsection (4) does not apply if the qualifying employee was
28 discharged for misconduct, as defined in RCW 50.04.294, connected
29 with his or her work or discharged due to a felony or gross
30 misdemeanor conviction, and the employer contemporaneously documents
31 the reason for discharge.

32 (5) Credits earned under this section may be claimed only on
33 returns filed electronically with the department using the
34 department's online tax filing service or other method of electronic
35 reporting as the department may authorize. No application is required
36 to claim the credit, but the taxpayer must keep records necessary for
37 the department to determine eligibility under this section including
38 records establishing the person's status as a qualifying employee

1 under subsection (7)(c)(i) and (ii) of this section when hired by the
2 taxpayer.

3 (6) No person may claim a credit against taxes due under both
4 chapter 82.04 RCW and this chapter for the same qualifying employee.

5 (7) The definitions in this subsection apply throughout this
6 section unless the context clearly requires otherwise.

7 (a) "Homeless person" has the same meaning as provided in RCW
8 43.185C.010.

9 (b) "Person convicted of a felony" means a person, including a
10 juvenile as defined in RCW 13.40.020, convicted of a felony under
11 state or federal statute who is hired within one calendar year after
12 the last date that the person was convicted or released from a
13 juvenile rehabilitation facility or prison.

14 (c) "Qualifying employee" means a person who meets all of the
15 following requirements:

16 (i) Is a homeless person or a person convicted of a felony;

17 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
18 days immediately preceding the date that the person was hired by the
19 person claiming the credit under this section; and

20 (iii) Is employed in a permanent full-time position for at least
21 three consecutive full calendar quarters by the person claiming the
22 credit under this section. For seasonal employers, "qualifying
23 employee" also includes the equivalent of a full-time employee in
24 work hours for two consecutive full calendar quarters. For purposes
25 of this subsection (7)(c)(iii), "full-time " means a normal workweek
26 of at least 35 hours.

27 (8) Credits allowed under this section can be earned for tax
28 reporting periods through June 30, 2031. No credits can be claimed
29 after June 30, 2032.

30 (9) This section expires July 1, 2032.

31 NEW SECTION. **Sec. 9.** (1) The department of commerce must
32 establish a pilot program for cities to provide job opportunities to
33 and hire persons experiencing homelessness for the purposes of local
34 beautification projects. The pilot program must include three cities,
35 two on the west side and one on the east side of the Cascade mountain
36 range. The cities selected are strongly encouraged to administer
37 their programs during the summer months.

38 (2) Persons experiencing homelessness who are hired under this
39 pilot program must be paid at least the local minimum wage and be

1 connected with organizations that provide wraparound housing
2 services.

3 (3) The pilot program expires July 1, 2025. The cities selected
4 to participate in the pilot program must provide a report to the
5 appropriate committees of the legislature by December 1, 2025, that
6 includes at least the following information: The number of persons
7 experiencing homelessness hired during the pilot program, the number
8 of such persons connected with wraparound housing services,
9 strategies for hiring persons experiencing homelessness for other
10 local projects, and any legislative recommendations.

11 (4) Persons experiencing homelessness who are hired under this
12 pilot program are not considered state employees. Other provisions of
13 law relating to civil service, hours of work, rate of compensation,
14 sick leave, unemployment compensation, state retirement plans, and
15 vacation leave do not apply to this pilot program, except for project
16 supervisors, who must be city employees, and other administrative and
17 supervisory personnel.

18 (5) The pilot program is considered an unemployment work-relief
19 or work-training program as provided in RCW 50.44.040(4) and, as
20 such, the services of persons experiencing homelessness under this
21 pilot program are excluded from the term "unemployment" and
22 unemployment compensation coverage. The department of commerce must
23 advise the cities selected under the pilot program to notify such
24 persons hired under the pilot program of this exclusion.

25 (6) For purposes of this section, "persons experiencing
26 homelessness" means individuals living outside or in a building not
27 meant for human habitation or which they have no legal right to
28 occupy, in an emergency shelter, or in a temporary housing program
29 that may include a transitional and supportive housing program if
30 habitation time limits exist.

31 (7) This section expires January 1, 2027.

32 **BUILDING HOMES FOR A BETTER FUTURE**

33 NEW SECTION. **Sec. 10.** A new section is added to chapter 36.70A
34 RCW to read as follows:

35 (1) A city or county may permit American dream homes in order to
36 encourage the development of residential housing for low-income
37 households.

1 (2) A new American dream home may be approved in a city or county
2 if the following criteria are met:

3 (a) Each American dream home is exempt from impact fees under RCW
4 82.02.050;

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

7 (c) Provisions, such as covenants or other restrictions, are
8 included to ensure that each American dream home remains reserved for
9 low-income households.

10 (3) For the purposes of this section:

11 (a) "American dream home" means an owner-occupied single-family
12 residential detached dwelling of 1,700 square feet or less serving
13 low-income households.

14 (b) "Low-income household" means a single person, family, or
15 unrelated persons living together whose adjusted income is less than
16 80 percent of the median family income adjusted for household size,
17 for the city or county where the project is located.

18 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.08
19 RCW to read as follows:

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

22 (a) Charges for labor and services rendered in respect to the
23 constructing of dwellings designated American dream homes, as
24 provided in section 10 of this act;

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

28 (c) Charges made for labor and services rendered in respect to
29 installing, during the course of constructing such dwellings,
30 fixtures not otherwise eligible for the exemption under RCW
31 82.08.02565.

32 (2) (a) The department must at least once annually remit to the
33 city or county an estimated amount, as determined by the department,
34 of state taxes collected during the prior calendar year with respect
35 to section 10 of this act.

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

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

5 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.12
6 RCW to read as follows:

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

9 (a) Tangible personal property that will be incorporated as an
10 ingredient or component in constructing of dwellings designated as
11 American dream homes, as provided in section 10 of this act; or

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

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

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

19 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.04
20 RCW to read as follows:

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

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

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

36 (4) Credits allowed under this section can be earned for tax
37 reporting periods through June 30, 2031. No credits can be claimed
38 after June 30, 2032.

- 1 (5) This section is exempt from the provisions of RCW 82.32.808.
2 (6) This section expires July 1, 2032.

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