Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 2437

Brief Description: Encouraging investments in affordable and supportive housing.

Sponsors: Representatives Robinson, Tharinger, Macri, Ryu, Kagi, Pollet, Ormsby, Doglio, Santos and Tarleton.

Brief Summary of Bill

- Authorizes the governing body of a county to impose a local sales tax, credited against the state sales tax, for affordable or supportive housing.

Hearing Date: 1/16/18

Staff: Serena Dolly (786-7150).

Background:

Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Distressed Area.
An area is designated as distressed under RCW 43.168.020 if it meets certain unemployment or median income criteria. Currently 22 counties are designated as distressed areas: Adams, Benton, Clallam, Columbia, Cowlitz, Douglas, Ferry, Franklin, Grant, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Okanogan, Pacific, Pend Oreille, Skagit, Skamania, Stevens, Wahkiakum, and Yakima.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill:

County legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing. In counties designated as distressed areas, the rate may not exceed 0.050 percent. In all other counties, the rate may not exceed 0.025 percent.

If a county with a population of 1.5 million or less does not impose the tax by July 1, 2020, cities within the county may impose the tax. If a county with a population greater than 1.5 million does not impose the tax by July 1, 2021, cities within the county may impose the tax. No county or city may first impose the tax after July 1, 2023. The tax expires 20 years after the jurisdiction first imposes the tax.

The tax is credited against the state sales tax collected in the jurisdiction. It is not an increase in sales or use tax for consumers and does not change the overall retail sales or use tax rate. Instead, the amount of sales tax retained by the state is reduced. The amount a county or city may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2019.

A county or city may bond against the revenue. The revenue collected or bonds issued may only be used for: acquiring, rehabilitating, or constructing affordable housing, including new units of affordable housing within an existing structure or facilities providing supportive housing services to individuals with mental or behavioral disorders; operations and maintenance costs of new units of affordable or supportive housing; or rental assistance to tenants.

A county or city may enter into an interlocal agreement with one or more other counties, cities, or housing authorities to provide affordable or supportive housing.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Housing Finance Commission.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.