Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Housing, Community Development & Veterans Committee

HB 1406

Brief Description: Encouraging investments in affordable and supportive housing.

Sponsors: Representatives Robinson, Macri, Chapman, Valdez, Senn, Peterson, Kloba, Tharinger, Gregerson, Stanford, Walen, Doglio, Frame, Jinkins, Riccelli, Slatter, Ormsby and Santos.

Brief Summary of Bill

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

Hearing Date: 2/1/19

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.

Summary of Bill:

County and city legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.01

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percent or 0.02 percent for all local sales and use taxes imposed by a city or county under chapter 82.14 RCW.

For the first 12 months following the effective date of the bill, the maximum rate of 0.02 percent is available only to:
- a city levying a qualifying local tax;
- a city located in a county that declares it will not levy the tax; and
- a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax.

Beginning 12 months after the effective date of the bill, the maximum rate of 0.02 percent is available only to:
- a city levying a qualifying local tax; and
- a county within its unincorporated areas and within the limits of a city that is not levying the tax.

Beginning 12 months after the effective date of the bill, cities without a qualifying tax may impose a rate of 0.01 percent, and a county may impose a rate of 0.01 percent within the limits of a city imposing the tax at 0.01 percent. A county may not levy the tax within the limits of a city imposing the tax at 0.02 percent.

A "qualifying local tax" is defined as the affordable housing levy, the sales and use tax for housing and related services, or the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts. To impose the tax, a county or city legislative authority must adopt a resolution of intent within six months of the effective date of the bill and impose the tax within one year.

The tax is credited against the state sales tax collected in the jurisdiction. The amount a county may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2019, and the amount a city may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2018.

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; or
- operations and maintenance costs of new units of affordable or supportive housing.

Counties with a population of 400,000 or less and cities with a population of 100,000 or less may also use the revenue to provide rental assistance to tenants.

Housing and services may only be provided to persons whose income is at or below 60 percent of the county median income. 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 Department of Commerce (COM), and the COM must submit a report annually to the appropriate legislative committees.

The tax expires 20 years after the jurisdiction first imposes the tax.

Appropriation: None.

Fiscal Note: Available.

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