

HOUSE BILL REPORT

HB 2797

As Reported by House Committee On: Finance

Title: An act relating to the sales and use tax for affordable and supportive housing.

Brief Description: Concerning the sales and use tax for affordable and supportive housing.

Sponsors: Representatives Robinson, Macri, Davis, Shewmake, Peterson, Ramel, Lekanoff and Pollet.

Brief History:

Committee Activity:

Finance: 2/7/20 [DP].

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Modifies certain provisions of, and extends various deadlines related to, the local sales tax for affordable or supportive housing.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Tarleton, Chair; Walen, Vice Chair; Chapman, Frame, Macri, Orwall, Springer, Stokesbary and Wylie.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Vick.

Staff: Nick Tucker (786-7383).

Background:

Retail 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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all

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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.

Local Sales Tax for Affordable or Supportive Housing.

County and city legislative authorities are authorized to implement a local sales tax, credited against the state sales tax, to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.0146 percent or 0.0073 percent. To impose the tax, a county or city legislative authority must adopt a resolution of intent within six months of July 28, 2019, and impose the tax within one year.

Until July 28, 2020, the maximum rates are as follows:

- 0.0146 percent for: (1) a city levying a qualifying local tax; (2) a city located in a county that declares it will not levy the tax or that does not adopt a resolution of intent to impose the tax; or (3) a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax or that does not adopt a resolution of intent to impose the tax; or
- 0.0073 percent for: (1) a city without a qualifying local tax; or (2) a county within the limits of a city that does not levy a qualifying local tax.

After July 28, 2020, the maximum rates are as follows:

- 0.0146 percent for: (1) a city levying a qualifying local tax; and (2) a county within its unincorporated areas and within the limits of a city that is not levying the tax; or
- 0.0073 percent for: (1) a city that is not levying a qualifying tax located in a county levying the tax; and (2) a county within the limits of a city that does not levy a qualifying local tax.

A city without a qualifying local tax may not levy the tax unless the county also levies the tax. A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

A "qualifying local tax" is defined as: (1) the affordable housing levy, the sales and use tax for housing and related services; (2) the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts; or (3) a voter-approved property tax levy used solely for affordable housing.

The maximum annual amount of tax distributions to a jurisdiction is equal to the total taxable retail sales within the jurisdiction multiplied by the tax rate imposed. If a county levies the tax after a city located within that county, the taxable retail sales of that city are deducted from the county for the purposes of the calculation of such maximum.

A county or city may bond against the revenue for certain specified purposes related to affordable or supportive housing.

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.

Summary of Bill:

The bill amends the local sales tax for affordable or supportive housing (the tax) in several ways.

The deadline to adopt a resolution of intent to adopt legislation to authorize the tax is extended to July 28, 2020. The deadline to adopt legislation to authorize the tax is extended to December 1, 2020. Counties and cities must provide the Department of Revenue (Department) with copies of the resolution and of the legislation.

Counties and cities must authorize the maximum capacity of the tax.

The definition of "qualifying local tax" is expanded to include the passage of a resolution of intent to implement one of the qualifying local tax sources.

The maximum annual tax distribution previously calculated by the Department is deemed "preliminary" and the Department is required to calculate a "final" maximum by December 31, 2020.

Staffing costs for daily operations of permanent supportive housing is included as an allowable use of the revenue collected under the tax. Certain small counties and cities are permitted to use up to 3 percent of the revenue collected for administrative costs associated with the tax.

The income requirements for housing and services are only required to be met at initial occupancy, time of purchase, or at each required income certification in the case of rental assistance.

A county is prohibited from pledging revenue collected under the tax within the boundaries of a city until January 1, 2021.

Counties and cities are authorized to enter into a contract with a public agency or private entity for the purposes of providing the housing and services related to 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.

Staff Summary of Public Testimony:

(In support) The bill is a follow-up to House Bill 1406 from last session, and it clarifies some points of confusion. The bill also corrects a mistake in the underlying statute that unintentionally denied cities from using the option if their county did not opt-in.

The program is being utilized all across Washington State; 31 counties and 23 cities have chosen to opt-in. The program is another important tool for local governments to use in addressing housing and homelessness issues. The use of the program is driving conversations around the issue of affordable housing in the state. Affordable and supportive housing is urgently needed across the state.

One innovative part about the program is that it incentivizes local governments to pursue other voter approved housing levies. This incentive expires in July 2020, and so some cities are left out of taking advantage of it. A substitute bill could extend this.

(Opposed) None.

Persons Testifying: Michele Thomas, Washington Low Income Housing Alliance; Lorrie McKay, City of Kirkland; Doug Levy, City of Renton; and Juliana Roe, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.