

# SENATE BILL REPORT

## HB 1590

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As Reported by Senate Committee On:  
Local Government, February 27, 2020

**Title:** An act relating to allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority.

**Brief Description:** Allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority.

**Sponsors:** Representatives Doglio, Dolan, Macri, Cody, Gregerson, Wylie, Appleton, Robinson, Ormsby, Frame and Davis.

**Brief History:** Passed House: 2/19/20, 52-46.

**Committee Activity:** Local Government: 2/27/20, 2/27/20 [DPA, DNP].

### Brief Summary of Amended Bill

- Allows a county legislative authority to impose a sales and use tax for affordable housing by councilmanic action.
- Allows a city legislative authority in a county that has not imposed the full tax rate by September 30, 2020 to impose the remainder of the tax either by ballot proposition or by councilmanic action.
- Provides that a county with a population of over 1.5 million may only impose the full taxing authority under this bill if it plans to spend at least 30 percent of the revenue attributable to taxable activities or events within any city with a population greater than 60,000.

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### SENATE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass as amended.

Signed by Senators Takko, Chair; Salomon, Vice Chair; Lovelett.

**Minority Report:** Do not pass.

Signed by Senators Short, Ranking Member; Honeyford.

**Staff:** Bonnie Kim (786-7316)

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*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.*

**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 tax applies to the value of the 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.

Local Sales and Use Tax for Housing and Related Services. County legislative authorities may implement a 0.1 percent sales and use tax, if approved by a majority of voters, in order to fund housing and related services. A city legislative authority may implement the whole or remainder of the tax if the county has not opted to implement the full tax within two years of October 9, 2015, in a county with a population of less than 1.5 million, or three years of October 9, 2015, in a county with a population of over 1.5 million. City voters must approve the sales and use tax by a majority of persons voting.

A minimum of 60 percent of revenues collected must be used for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services, or to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers. The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income: individuals with mental illness, veterans, senior citizens, homeless families with children, unaccompanied homeless youth, persons with disabilities, or domestic violence victims. The remainder of the money collected must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Amended Bill:** A county legislative authority may impose a sales and use tax for affordable housing by councilmanic action. A city legislative authority in a county that has not imposed the full tax rate by September 30, 2020 may impose the remainder of the tax either by ballot proposition or by councilmanic action. A county with a population of over 1.5 million may impose the full taxing authority under this act only if it plans to spend at least 30 percent of the revenue attributable to taxable activities or events within any city with a population greater than 60,000.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Bill as Amended by Committee:** PRO: This is a bill that allows for a councilmanic vote to provide a 1/10 percent tax for affordable housing. It took my community three years to pass this tax, and this bill will simplify the process for other communities. As local elected officials, we hear about housing issues and how they affect our communities. This bill gives us one more tool in dealing with the housing issues. We need more options to ensure housing and provide services. Our community does not have the resources to provide shelters and services for seniors and families without this tax. Washington needs 165,000 affordable homes to meet the needs of the state. This bill provides local jurisdictions with more options if the councilmanic option works for them. Hospitals realize that crisis issues are linked to affordable housing. Many of our hospitals and clinics are working to become a part of affordable housing projects. This bill is a priority for cities. Last interim, 87 percent of cities surveyed indicated they need more tools to address the affordable housing issue. This bill would create \$5 million per year for the City of Spokane to address affordable housing.

OTHER: Bellevue and Redmond have concerns and would like additional provisions with respect to King County. First, providing greater flexibility for distribution based on area median income. Second, a biennial report from King County.

**Persons Testifying:** PRO: Representative Beth Doglio, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Len McComb, Washington State Hospital Association; Kayla Schott-Bressler, Skagit County; Ron Wesen, Skagit County Commissioner; Nick Federici, City of Spokane; Carl Schroeder, Association of Washington Cities.

OTHER: Briahna Murray, Cities of Redmond & Bellevue.

**Persons Signed In To Testify But Not Testifying:** No one.