

SENATE BILL REPORT

EHB 2797

As Reported by Senate Committee On:
Housing Stability & Affordability, February 28, 2020
Ways & Means, March 9, 2020

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: Passed House: 2/16/20, 63-33.

Committee Activity: Housing Stability & Affordability: 2/26/20, 2/28/20 [DP-WM, w/oRec].

Ways & Means: 3/02/20, 3/09/20 [DPA, w/oRec, DNP].

Brief Summary of Amended Bill

- Extends deadlines and clarifies provisions for cities and counties implementing the local sales and use tax for affordable housing.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Kuderer, Chair; Das, Vice Chair; Darneille and Saldaña.

Minority Report: That it be referred without recommendation.

Signed by Senators Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Warnick.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

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.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Billig, Carlyle, Conway, Darneille, Dhingra, Hunt, Keiser, Liias, Pedersen and Van De Wege.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Muzzall, Schoesler, Wagoner and Wilson, L..

Minority Report: Do not pass.

Signed by Senators Hasegawa and Warnick.

Staff: Alia Kennedy (786-7405)

Background: 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 0.0146 percent or 0.0073 percent. Until July 28, 2020, the maximum rate of 0.0146 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 or that does not adopt a resolution of intent to impose the tax; and
- a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax or does not adopt a resolution of intent to impose the tax.

The rate of 0.0073 percent is available only to a city without a qualifying local tax; and a county within the limits of a city that does not levy a qualifying local tax. A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

After July 28, 2020, the maximum rate of 0.0146 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. The rate of 0.0073 percent is available only to a city that is not levying a qualifying tax located in a county levying the tax; and 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 the affordable housing levy, the sales and use tax for housing and related services, the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts, or a voter-approved property tax levy used solely for affordable housing. 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.

The tax is credited against the state sales tax collected in the jurisdiction. 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; 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.

Summary of Amended Bill: The deadline for adopting a qualifying local tax is extended from July 28, 2020, to December 31, 2021. A city that intends to adopt a qualifying local tax by the due date must adopt a resolution of intent to impose the tax by July 28, 2020. A county or city must send a copy of legislation authorizing the tax to the Department of Revenue (DOR) within 45 days of adoption.

DOR must calculate preliminary cap amounts by January 1, 2021. The annual maximum cap for a county equals the taxable retail sales within the unincorporated area of a county, within nonparticipating cities, and within cities without a qualifying local tax. Final cap amounts must be calculated by June 30, 2022.

Cities and counties are authorized to use revenues on staffing for operations of permanent supportive housing. Certain small counties and cities are authorized to use up to 6 percent of the revenues for administrative costs. Housing and services may only be provided to persons at or below 60 percent of median household income of the standard metropolitan area within the county or town imposing the tax.

A county may not pledge for repayment of bonds any revenues from the tax collected within cities levying the tax: (1) before July 28, 2020; or (2) before June 30, 2022, within cities that have adopted a notice of intent to authorize a qualifying local tax.

Cities and counties are authorized to enter into contracts or interlocal agreements with public entities or nonprofit organizations.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S): Prevents the use of bonds from the sales and use tax for affordable and supportive housing to pay for operations and maintenance costs or rental assistance; and clarifies that a county may impose a local sales tax of 0.0073 percent within the limits of participating cities within the county that do not levy a qualifying local tax.

Appropriation: None.

Fiscal Note: Available.

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 Engrossed House Bill (Housing Stability & Affordability): PRO: The bill contains important changes to make House Bill 1406 from last session work better and allow more time for cities to implement qualifying local taxes. The fiscal impact of the bill is within the limits assumed by the Legislature last year. Counties and cities are authorized to use up to 6 percent of the revenue for administrative costs. 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. By adopting a local qualifying tax, a local jurisdiction may secure significantly more funds for affordable housing. The bill is critical to implement the intent of the bill from last year, including the calculation of the cap amounts by DOR.

OTHER: Delays in implementation impacts the ability for a county to bond against the revenue.

Persons Testifying (Housing Stability & Affordability): PRO: Michele Thomas, Washington Low Income Housing Alliance; Hannah Bahnmler, City of Renton Housing Programs Manager; Jay Arnold, Deputy Mayor, City of Kirkland; Juliana Roe, Washington State Association of Counties; Carl Schroeder, Association of Washington Cities.

OTHER: Michael Shaw, Pierce County.

Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability): No one.

Staff Summary of Public Testimony on Engrossed House Bill (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: This is an important trailer bill to SHB 1406 passed last session creating a local sales and use tax option for affordable housing. All but seven counties have taken action under last year's bill. This bill addresses technical issues with SHB 1406 and better aligns the policy with its original intent. None of the changes in this bill result in a greater cost to the state. This bill is important to counties and cities. The bill gives local jurisdictions more time to implement the revenue sharing provisions under SHB 1406.

Persons Testifying (Ways & Means): PRO: Michele Thomas, Washington Low Income Housing Alliance; Juliana Roe, Washington State Association of Counties; Carl Schroeder, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.