

SENATE BILL REPORT

SB 6126

As of January 15, 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: Senators Hunt, Darneille and Pedersen.

Brief History:

Committee Activity: Local Government: 1/14/20.

Brief Summary of Bill

- Allows the local sales and use tax for affordable housing to be imposed by councilmanic authority rather than by a majority of voters.
- Removes provisions mandating different treatment of cities in counties with a population of more than 1.5 million.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Staff: Bonnie Kim (786-7316)

Background: Local 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 apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. Local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Twenty-five different types of local sales and use taxes are currently authorized. The most common is a two-part—0.5 percent basic plus 0.5 percent optional—city and county sales and use tax of up to 1 percent. The tax is used for general local purposes. Almost all cities and counties levy the full 1 percent rate. The county sales and use tax is credited against the city tax; however, cities are required to share 15 percent of their tax with the counties. Local

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sales and use taxes are deposited into the Local Sales and Use Tax Account. On a monthly basis, the state treasurer distributes taxes in the account to the jurisdictions imposing local sales and use taxes.

Summary of Bill: The following provisions are removed with respect to a local legislative authority's imposition of a sales and use tax:

- majority approval by county or city voters to impose the tax; and
- different treatment of cities in counties with a population above 1.5 million.

Appropriation: None.

Fiscal Note: Requested on January 13, 2020.

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: PRO: This bill allows local governments to address affordable housing by councilmanic action and reduces election costs. Everyone is entitled to a home, or at minimum, a shelter. Local governments need help generating revenue to provide affordable housing. Skagit County has one of the lowest vacancy rates in the state. This bill would raise about \$3 million a year in our district to construct affordable housing or provide treatment services. We would like an amendment making imposition of the tax optional by voter approval or councilmanic action. This bill secures councilmanic action as a tool for local commissioners to address the affordable housing crisis and provide mental health services. We need 225,000 additional housing units to address the housing problem.

OTHER: Bellevue and Redmond requests the committee consider amendments treating King County differently because we are concerned that the sales and use tax is regressive and very high in King County.

Persons Testifying: PRO: Senator Sam Hunt, Prime Sponsor; Cynthia Stewart, League of Women Voters of Washington; Josh Weiss, Skagit County; Nick Federici, Washington Low Income Housing Alliance & City of Spokane; Carl Schroeder, Association of Washington Cities.

OTHER: Briahna Murray, Cities of Bellevue & Redmond.

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