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**HOUSE BILL 1581**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Representatives Fey, Riccelli, Wylie, Doglio, Jenkins, and Ormsby

Read first time 01/24/19. Referred to Committee on Housing, Community Development & Veterans.

1 AN ACT Relating to funding local housing trust fund programs in  
2 certain cities; adding a new section to chapter 82.14 RCW; and  
3 creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that there is a  
6 housing affordability crisis that requires multiple urgent and  
7 creative responses. The legislature finds that certain cities have  
8 established local housing trust funds to respond to the crisis;  
9 however, to be successful local housing trust funds need dedicated  
10 sources of funding to provide greater and more reliable resources to  
11 preserve and build new housing. The legislature therefore creates the  
12 construction sales and use tax remittance for certain eligible  
13 cities.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.14  
15 RCW to read as follows:

16 (1) A city legislative authority with a population of at least  
17 two hundred thousand in a county with a population of less than one  
18 million five hundred thousand may impose a sales and use tax on the  
19 sale of or charge made for tangible personal property consumed or  
20 labor and services rendered in respect to the constructing,

1 repairing, decorating, or improving of new or existing buildings or  
2 other structures under, upon, or above real property of or for  
3 consumers, including the installing or attaching of any article of  
4 tangible personal property, whether or not such personal property  
5 becomes a part of the realty by virtue of installation, and also  
6 includes the sale of services or charges made for the clearing of  
7 land and the moving of earth excepting the mere leveling of land used  
8 in commercial farming or agriculture.

9 (2) The tax authorized under subsection (1) of this section must  
10 be deducted from the amount of tax otherwise required to be collected  
11 or paid to the department. The department must perform the collection  
12 of such taxes on behalf of the city at no cost to the city and must  
13 remit the tax to the city as provided in RCW 82.14.060.

14 (3) The maximum rate of tax imposed under this section may not  
15 exceed six and five-tenths percent of the selling price in the case  
16 of a sales tax, or value of the article used in the case of a use  
17 tax.

18 (4) The tax may only include the sale of or charge made for  
19 tangible personal property consumed or labor and services rendered in  
20 respect to the constructing, repairing, decorating, or improving of  
21 new or existing buildings or other structures under, upon, or above  
22 real property of or for consumers, including the installing or  
23 attaching of any article of tangible personal property, whether or  
24 not such personal property becomes a part of the realty by virtue of  
25 installation, and also includes the sale of services or charges made  
26 for the clearing of land and the moving of earth excepting the mere  
27 leveling of land used in commercial farming or agriculture.

28 (5) If a city has not imposed the tax under this section by July  
29 1, 2021, the city may not impose the tax.

30 (6) A city imposing a tax under subsection (1) of this section  
31 must provide annual matching funds equal to at least fifty percent of  
32 the annual maximum amount of tax distributions as calculated in  
33 subsection (7) of this section. The matching funds must be spent on  
34 the purposes outlined in subsection (8) of this section. The matching  
35 funds must not be derived from the state-subsidized portion of any  
36 state loan or grant, any local tax that is credited against state  
37 retail sales and use taxes, or any other state funds.

38 (7) The tax must cease to be distributed to a city imposing the  
39 tax under this section for the remainder of any fiscal year in which  
40 the amount of the tax exceeds five million dollars. The department

1 must remit any annual tax revenues above the maximum to the state  
2 treasurer for deposit in the general fund. Distributions to a city  
3 meeting the maximum amount must resume at the beginning of the next  
4 fiscal year.

5 (8) The moneys collected under this section must be deposited  
6 into the city's local housing trust fund, and such funds must be used  
7 solely for the following purposes:

8 (a) New construction, rehabilitation, or acquisition of low-  
9 income and very low-income housing units;

10 (b) Matching funds for social services directly related to  
11 providing housing for special needs tenants in assisted projects;

12 (c) Technical assistance, design and finance services and  
13 consultation, and administrative costs for eligible nonprofit  
14 community or neighborhood-based organizations;

15 (d) Administrative costs for housing assistance groups or  
16 organizations when such grant or loan will substantially increase the  
17 recipient's access to housing funds other than those available under  
18 this chapter;

19 (e) Shelters and related services for the homeless, including  
20 emergency shelters and overnight youth shelters;

21 (f) Mortgage subsidies, including temporary rental and mortgage  
22 payment subsidies to prevent homelessness;

23 (g) Mortgage insurance guarantee or payments for eligible  
24 projects;

25 (h) Down payment or closing cost assistance for eligible first-  
26 time home buyers;

27 (i) Acquisition of housing units for the purpose of preservation  
28 as low-income or very low-income housing;

29 (j) Projects making housing more accessible to families with  
30 members who have disabilities; and

31 (k) Remodeling and improvements as required to meet building  
32 code, licensing requirements, or legal operations to residential  
33 properties owned and operated by an entity eligible under RCW  
34 43.185A.040, which were transferred as described in RCW  
35 82.45.010(3)(t) by the parent of a child with developmental  
36 disabilities.

37 (9) The tax imposed by a city under this section expires twenty  
38 years after the date on which the tax is first imposed.

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