

HOUSE BILL REPORT

HB 1966

As Reported by House Committee On:
Housing, Human Services & Veterans

Title: An act relating to creating a local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

Brief Description: Creating a local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

Sponsors: Representatives Steele, Barkis, Gilday and Leavitt.

Brief History:

Committee Activity:

Housing, Human Services & Veterans: 1/21/22, 1/27/22 [DP].

Brief Summary of Bill

- Allows a city or county to establish a local infrastructure investment program (program) to support affordable housing, workforce housing, or revitalization efforts.
- Allows a city or county to apply for a remittance of 4.37 percent of the state sales tax paid on construction of local infrastructure under a program.

HOUSE COMMITTEE ON HOUSING, HUMAN SERVICES & VETERANS

Majority Report: Do pass. Signed by 8 members: Representatives Peterson, Chair; Taylor, Vice Chair; Caldier, Ranking Minority Member; Gilday, Assistant Ranking Minority Member; Barkis, Bateman, Donaghy and Leavitt.

Staff: Serena Dolly (786-7150).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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 applies to the value of 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 4.0 percent, depending on the location.

Taxation of Construction Activities.

Prime contractors must collect retail sales tax from the purchaser of the construction project on the gross contract price. Billing invoices must separately disclose the sales tax. If the contract requires retainage, sales tax must be computed before deducting such amounts. Retail construction services are sourced to the location where the construction takes place. A contractor is considered the consumer of items purchased for use in the construction process and not used as component parts of the finished structure. Therefore, retail sales tax must be paid to the vendors of such items.

The purchase of materials by custom contractors that will become part of the completed project are purchases for resale (wholesale). Such purchases are not subject to retail sales tax. Reseller permits allow businesses to purchase items or services for resale without paying retail sales tax. Use tax is due if sales tax has not been paid on items the contractor uses as a consumer. Use tax is generally due on the following: equipment; tools; supplies; and rentals of equipment, even if the cost for these items is passed along to the purchaser of the construction project.

Summary of Bill:

Local Infrastructure Investment Program.

A city or county may establish a local infrastructure investment program (program) to support affordable housing, workforce housing, or revitalization efforts within a revitalization district. To initiate a program, a city or county must adopt an ordinance containing:

- the local income threshold used to define affordable housing;
- the local requirements used to define workforce housing;
- the local definition of revitalization efforts; and
- the geographic boundaries of the revitalization district.

Before adopting the ordinance, a city or county must provide public notice and hold a public hearing. After passing an ordinance, the city or county must notify the Department of Revenue (DOR) that a program is established.

Sales and Use Tax Remittance.

A city or county establishing a program may receive a remittance equal to 4.37 percent of the sales or use tax on the construction of the local infrastructure investment. The tax remittance is credited against the state sales tax due on the same sales and may be claimed once per project.

To collect the sales tax remittance, the city or county must use a web-based platform to provide the DOR with the amount of money spent on the eligible infrastructure investment, a brief description of the type of infrastructure investment, and the eligible project the remittance will support.

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) This bill creates a very local program, which can be tailored to the needs of local jurisdictions, and is another solution to the workforce housing shortage. It provides an incentive for developers to build by providing cities with infrastructure funding. Two years ago, the University of Washington pointed out that the housing gap in Chelan and Douglas counties really existed in first-time home buyer affordability. At that time, only 27 homes were for sale for less than \$300,000. What is needed is a partnership between developers, cities, and the state, and the sales tax could act as a sustaining fund for infrastructure.

(Opposed) None.

Persons Testifying: Representative Mike Steele, prime sponsor; and Bruce Beckett, Wenatchee Valley Chamber of Commerce.

Persons Signed In To Testify But Not Testifying: None.