# HOUSE BILL REPORT
# SB 5868

**As Reported by House Committee On:**
Finance

**Title:** An act relating to expanding the use of the rural counties public facilities sales and use tax to include affordable workforce housing.

**Brief Description:** Expanding the use of the rural counties public facilities sales and use tax to include affordable workforce housing.

**Sponsors:** Senators Hawkins, Kuderer, Braun, Fortunato, Lovelett, Nguyen, Nobles, Salomon, Trudeau and Warnick.

**Brief History:**

**Committee Activity:**

Finance: 2/21/22, 2/24/22 [DPA].

**Brief Summary of Bill**
**(As Amended By Committee)**

- Adds affordable workforce housing as an authorized use of moneys collected from the rural county public facilities sales and use tax.

## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai and Wylie.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Chase.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Dufault, Assistant Ranking Minority Member; Stokesbary and Vick.

**Staff:** Kyle Raymond (786-7190).

**Background:**

Retail 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 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.

Local Retail Sales and Use Tax for Public Facilities in Rural Counties.
The legislative body of a rural county may impose a sales and use tax of up to 0.09 percent of the selling price or value of the article of tangible personal property. The tax is deducted from the state sales and use tax collected.

A rural county is defined as a county with a population density of less than 100 persons per square mile or counties smaller than 225,000 square miles as of April 1, 2021. Currently, there are 30 counties that meet the rural county definition.

The tax may be collected by a county for 25 years after the date that a tax is first imposed. Rural counties that imposed the tax at the 0.09 percent rate before August 1, 2009, may impose the tax for 25 years from the date the county first imposed the tax at the 0.09 percent rate.

Moneys from the local option tax may only be used to finance public facilities serving economic development purposes and to pay for personnel in economic development offices. "Economic development purposes" means those purposes which facilitate the creation or retention of businesses and jobs in a county.

A public facility must be listed as an item in a county's officially adopted overall economic development plan, the economic development section of the county's comprehensive plan, or the comprehensive plan of a city or town located within the county planning under the Growth Management Act (GMA). For counties that do not have an adopted overall economic development plan and do not plan under the GMA, the public facility must be listed in the county's capital facilities plan or the capital facilities plan of a city or town located within the county.

"Public facilities" are defined as bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroads, electrical facilities, natural gas facilities, research, testing, training, and incubation facilities in innovation partnership zones, buildings, structures, telecommunications infrastructure, transportation infrastructure, or commercial infrastructure, and port facilities in the state.

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**Summary of Amended Bill:**

Moneys collected from the rural county public facilities sales and use tax may also be used to provide affordable workforce housing infrastructure and facilities.

Affordable workforce housing infrastructure or facilities includes housing infrastructure or facilities that a qualifying provider uses for housing for a single person, family, or unrelated persons living together whose income is no more than 120 percent of the median income, adjusted for housing size, for the county where the housing is located.

A qualifying provider is a nonprofit entity, qualified cooperative association, housing authority, public corporation, county, or municipal corporation.

**Amended Bill Compared to Original Bill:**

As compared to the underlying bill, the bill as amended expands the eligible income range for what is considered affordable workforce housing through removing the minimum income threshold of 60 percent of the median income, adjusted for housing size, for the county where the housing is located.

In addition, the bill as amended limits the entities that may provide affordable workforce housing to qualifying providers, which includes nonprofit entities, qualified cooperative associations, housing authorities, public corporations, or counties or municipal corporations.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** 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 would provide rural counties an additional tool in addressing high housing costs through providing a revenue stream for workforce housing infrastructure. This bill is not a new tax and does not increase existing taxes. This bill is a local option tax for rural counties.

Housing costs in rural communities are increasing faster than workers' wages, and this negatively impacts healthcare workers, firefighters, teachers, and hospitality employees in particular. Many of these workers are not able to afford to live in the communities in which they work, and this is particularly true in rural communities that are tourism destinations. This results in long commutes for these workers, which reduces the time they can spend with family and also has negative environmental impacts. In addition, a sense of community is lost in rural communities when workers are not able to afford to live in the communities in which they work. This bill would help preserve rural communities.

The lack of affordable housing in the state is an economic development issue. Workforce is an integral part of economic development. This bill would help rural communities recruit and retain employees.

(Opposed) This bill would dilute the existing funding generated from the rural county public facilities sales and use tax by adding an additional use of funding.

**Persons Testifying:** (In support) Senator Brad Hawkins, prime sponsor; Carl Florea and Zeke Reister, City of Leavenworth; Lizania Hurtado; Bruce Beckett, Wenatchee Valley Chamber of Commerce; Steven Wilkinson, Chelan Valley Housing Trust; Julia Gorton, Washington Hospitality Association; Kaylin Bettinger, Upper Valley Meeting Each Need with Dignity and SHARE Community Land Trust; David Morgan; Sasha Sleiman, Chelan County; Dawna Fox, Confluence Health; and Diane Blake, Cascade Medical Center.

(Opposed) Victoria Lincoln, Washington Public Ports Association.

**Persons Signed In To Testify But Not Testifying:** None.