

SENATE BILL REPORT

SB 5604

As Reported by Senate Committee On:
Local Government, Land Use & Tribal Affairs, February 14, 2023

Title: An act relating to county sales and use taxes for mental health and housing.

Brief Description: Concerning county sales and use taxes for mental health and housing.

Sponsors: Senators Robinson, Nguyen and Stanford.

Brief History:

Committee Activity: Local Government, Land Use & Tribal Affairs: 2/07/23, 2/14/23
[DPS, w/oRec].

Brief Summary of First Substitute Bill

- Allows counties to use chemical dependency and mental health treatment services tax revenue for modifications to existing facilities to address health and safety needs of chemical dependency or mental health treatment programs or services.
- Allows revenue from the affordable and supportive housing sales tax to be used for rental assistance in all jurisdictions.
- Allows counties and cities to retain up to 10 percent of the affordable and supportive housing sales tax for administrative costs.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: That Substitute Senate Bill No. 5604 be substituted therefor, and the substitute bill do pass.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Kauffman and Short.

Minority Report: That it be referred without recommendation.

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.

Signed by Senator Torres, Ranking Member.

Staff: Karen Epps (786-7424)

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.

Chemical Dependency and Mental Health Treatment Services Tax. The Legislature authorized a sales tax to be used to fund the operation of chemical dependency or mental health treatment programs, or for the operation of therapeutic court programs. This tax may be imposed by a county, or, because Pierce County had not imposed the tax by 2011, by a city with more than 30,000 people in Pierce County, at a rate of 0.01 percent.

Revenue from the tax must be used solely for chemical dependency or mental health treatment programs and services and for the operation of therapeutic court programs and services. Revenue collected by cities may also be used for modifications to existing facilities to address health and safety needs necessary for the provision, operation, or delivery of chemical dependency or mental health treatment programs or services otherwise funded with revenue from the tax.

Affordable and Supportive Housing. Local jurisdictions may impose a local state-shared sales and use tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.0146 percent or 0.0073 percent. The tax is credited against the state sales tax collected in the jurisdiction. To impose the tax, the local jurisdiction must adopt both of the following:

- a resolution of intent to adopt legislation by January 28, 2020; and
- legislation to authorize the tax by July 28, 2020.

Depending on the population of the local jurisdiction, funds from this tax must be used for the following:

- acquisition, rehabilitation, or construction of affordable housing; or
- funding the 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.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Department of Commerce, and Commerce must submit a report annually to the appropriate legislative committees. The tax expires 20 years after the jurisdiction first imposes the tax.

Summary of Bill (First Substitute): Chemical dependency and mental health treatment services tax revenue collected by counties may also be used for modifications to existing facilities to address health and safety needs necessary for the provision, operation, or delivery of chemical dependency or mental health treatment programs or services otherwise funded with revenue from the tax.

Revenue from the affordable and supportive housing sales tax may be used for rental assistance in all jurisdictions. Counties or cities may retain up to 10 percent of the affordable and supportive housing tax for administrative costs.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS COMMITTEE (First Substitute):

- Allows counties or cities to retain up to 10 percent of the affordable and supportive housing tax for administrative costs to provide affordable and supportive housing services.

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 Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Counties have limited resources to deal with homelessness and affordable housing to meet the needs of a growing population. This bill will provide flexibility for counties to address the needs of their community and better serve people. This bill will give jurisdictions the ability to use the behavioral health sales tax for modifying existing facilities and give jurisdictions the ability to use the affordable housing funds for rental assistance. The bill should be amended to support local governments in creating and administering housing programs by allowing an administrative fee. An administrative fee is a critical component of enabling smaller jurisdictions to appropriately fund, develop, and monitor affordable housing programs. Taking an administrative fee out of these funds is critical for counties to support the affordable housing programs. This bill addresses two important needs from the county's perspective, clarifying that counties can use funds in the same way as cities and allowing larger jurisdictions to use the fund collected for rental assistance.

Persons Testifying: PRO: Senator June Robinson, Prime Sponsor; Mary Jane Brell-Vujovic, Snohomish County; Jason Gauthier, South Sound Housing Affordability Partners; Juliana Roe, Washington State Association of Counties.

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