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**SUBSTITUTE SENATE BILL 5604**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senate Local Government, Land Use & Tribal Affairs (originally sponsored by Senators Robinson, Nguyen, and Stanford)

READ FIRST TIME 02/15/23.

1 AN ACT Relating to county sales and use taxes for mental health  
2 and housing; and amending RCW 82.14.460 and 82.14.540.

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

4 **Sec. 1.** RCW 82.14.460 and 2021 c 296 s 7 are each amended to  
5 read as follows:

6 (1)(a) A county legislative authority may authorize, fix, and  
7 impose a sales and use tax in accordance with the terms of this  
8 chapter.

9 (b) If a county with a population over eight hundred thousand has  
10 not imposed the tax authorized under this subsection by January 1,  
11 2011, any city with a population over thirty thousand located in that  
12 county may authorize, fix, and impose the sales and use tax in  
13 accordance with the terms of this chapter. The county must provide a  
14 credit against its tax for the full amount of tax imposed under this  
15 subsection (1)(b) by any city located in that county if the county  
16 imposes the tax after January 1, 2011.

17 (2) The tax authorized in this section is in addition to any  
18 other taxes authorized by law and must be collected from those  
19 persons who are taxable by the state under chapters 82.08 and 82.12  
20 RCW upon the occurrence of any taxable event within the county for a  
21 county's tax and within a city for a city's tax. The rate of tax

1 equals one-tenth of one percent of the selling price in the case of a  
2 sales tax, or value of the article used, in the case of a use tax.

3 (3) Moneys collected under this section must be used solely for  
4 the purpose of providing for the operation or delivery of chemical  
5 dependency or mental health treatment programs and services and for  
6 the operation or delivery of therapeutic court programs and services.  
7 Moneys collected by cities and counties under this section may also  
8 be used for modifications to existing facilities to address health  
9 and safety needs necessary for the provision, operation, or delivery  
10 of chemical dependency or mental health treatment programs or  
11 services otherwise funded with moneys collected in this section. For  
12 the purposes of this section, "programs and services" includes, but  
13 is not limited to, treatment services, case management,  
14 transportation, and housing that are a component of a coordinated  
15 chemical dependency or mental health treatment program or service.  
16 Every county that authorizes the tax provided in this section shall,  
17 and every other county may, establish and operate a therapeutic court  
18 component for dependency proceedings designed to be effective for the  
19 court's size, location, and resources.

20 (4) All moneys collected under this section must be used solely  
21 for the purpose of providing new or expanded programs and services as  
22 provided in this section, except as follows:

23 (a) For a county with a population larger than twenty-five  
24 thousand or a city with a population over thirty thousand, which  
25 initially imposed the tax authorized under this section prior to  
26 January 1, 2012, a portion of moneys collected under this section may  
27 be used to supplant existing funding for these purposes as follows:  
28 Up to fifty percent may be used to supplant existing funding in  
29 calendar years 2011-2012; up to forty percent may be used to supplant  
30 existing funding in calendar year 2013; up to thirty percent may be  
31 used to supplant existing funding in calendar year 2014; up to twenty  
32 percent may be used to supplant existing funding in calendar year  
33 2015; and up to ten percent may be used to supplant existing funding  
34 in calendar year 2016;

35 (b) For a county with a population larger than twenty-five  
36 thousand or a city with a population over thirty thousand, which  
37 initially imposes the tax authorized under this section after  
38 December 31, 2011, a portion of moneys collected under this section  
39 may be used to supplant existing funding for these purposes as  
40 follows: Up to fifty percent may be used to supplant existing funding

1 for up to the first three calendar years following adoption; and up  
2 to twenty-five percent may be used to supplant existing funding for  
3 the fourth and fifth years after adoption;

4 (c) For a county with a population of less than twenty-five  
5 thousand, a portion of moneys collected under this section may be  
6 used to supplant existing funding for these purposes as follows: Up  
7 to eighty percent may be used to supplant existing funding in  
8 calendar years 2011-2012; up to sixty percent may be used to supplant  
9 existing funding in calendar year 2013; up to forty percent may be  
10 used to supplant existing funding in calendar year 2014; up to twenty  
11 percent may be used to supplant existing funding in calendar year  
12 2015; and up to ten percent may be used to supplant existing funding  
13 in calendar year 2016; and

14 (d) Notwithstanding (a) through (c) of this subsection, moneys  
15 collected under this section may be used to support the cost of the  
16 judicial officer and support staff of a therapeutic court.

17 (5) Nothing in this section may be interpreted to prohibit the  
18 use of moneys collected under this section for the replacement of  
19 lapsed federal funding previously provided for the operation or  
20 delivery of services and programs as provided in this section.

21 **Sec. 2.** RCW 82.14.540 and 2019 c 338 s 1 are each amended to  
22 read as follows:

23 (1) The definitions in this subsection apply throughout this  
24 section unless the context clearly requires otherwise.

25 (a) "Nonparticipating city" is a city that does not impose a  
26 sales and use tax in accordance with the terms of this section.

27 (b) "Nonparticipating county" is a county that does not impose a  
28 sales and use tax in accordance with the terms of this section.

29 (c) "Participating city" is a city that imposes a sales and use  
30 tax in accordance with the terms of this section.

31 (d) "Participating county" is a county that imposes a sales and  
32 use tax in accordance with the terms of this section.

33 (e) "Qualifying local tax" means the following tax sources, if  
34 the tax source is instated no later than twelve months after July 28,  
35 2019:

36 (i) The affordable housing levy authorized under RCW 84.52.105;

37 (ii) The sales and use tax for housing and related services  
38 authorized under RCW 82.14.530, provided the city has imposed the tax  
39 at a minimum or (~~of~~) of at least half of the authorized rate;

1 (iii) The sales tax for chemical dependency and mental health  
2 treatment services or therapeutic courts authorized under RCW  
3 82.14.460 imposed by a city; and

4 (iv) The levy authorized under RCW 84.55.050, if used solely for  
5 affordable housing.

6 (2) (a) A county or city legislative authority may authorize, fix,  
7 and impose a sales and use tax in accordance with the terms of this  
8 section.

9 (b) The tax under this section is assessed on the selling price  
10 in the case of a sales tax, or value of the article used, in the case  
11 of a use tax.

12 (c) The rate of the tax under this section for an individual  
13 participating city and an individual participating county may not  
14 exceed:

15 (i) Beginning on July 28, 2019, until twelve months after July  
16 28, 2019:

17 (A) 0.0073 percent for a:

18 (I) Participating city, unless the participating city levies a  
19 qualifying local tax; and

20 (II) Participating county, within the limits of nonparticipating  
21 cities within the county and within participating cities that do not  
22 currently levy a qualifying tax;

23 (B) 0.0146 percent for a:

24 (I) Participating city that currently levies a qualifying local  
25 tax;

26 (II) Participating city if the county in which it is located  
27 declares they will not levy the sales and use tax authorized under  
28 this section or does not adopt a resolution in accordance with this  
29 section; and

30 (III) Participating county within the unincorporated areas of the  
31 county and any city that declares they will not levy the sales and  
32 use tax authorized under this section or does not adopt a resolution  
33 in accordance with this section;

34 (ii) Beginning twelve months after July 28, 2019:

35 (A) 0.0073 percent for a:

36 (I) Participating city that is located within a participating  
37 county if the participating city is not levying a qualifying local  
38 tax; and

39 (II) Participating county, within the limits of a participating  
40 city if the participating city is not levying a qualifying local tax;

1 (B) 0.0146 percent within the limits of a:

2 (I) Participating city that is levying a qualifying local tax;  
3 and

4 (II) Participating county within the unincorporated area of the  
5 county and within the limits of any nonparticipating city that is  
6 located within the county.

7 (d) A county may not levy the tax authorized under this section  
8 within the limits of a participating city that levies a qualifying  
9 local tax.

10 (e)(i) In order for a county or city legislative authority to  
11 impose the tax under this section, the authority must adopt:

12 (A) A resolution of intent to adopt legislation to authorize the  
13 maximum capacity of the tax in this section within six months of July  
14 28, 2019; and

15 (B) Legislation to authorize the maximum capacity of the tax in  
16 this section within one year of July 28, 2019.

17 (ii) Adoption of the resolution of intent and legislation  
18 requires simple majority approval of the enacting legislative  
19 authority.

20 (iii) If a county or city has not adopted a resolution of intent  
21 in accordance with the terms of this section, the county or city may  
22 not authorize, fix, and impose the tax.

23 (3) The tax imposed under this section must be deducted from the  
24 amount of tax otherwise required to be collected or paid to the  
25 department of revenue under chapter 82.08 or 82.12 RCW. The  
26 department must perform the collection of such taxes on behalf of the  
27 county or city at no cost to the county or city.

28 (4) By December 31, 2019, or within thirty days of a county or  
29 city authorizing the tax under this section, whichever is later, the  
30 department must calculate the maximum amount of tax distributions for  
31 each county and city authorizing the tax under this section as  
32 follows:

33 (a) The maximum amount for a participating county equals the  
34 taxable retail sales within the county in state fiscal year 2019  
35 multiplied by the tax rate imposed under this section. If a county  
36 imposes a tax authorized under this section after a city located in  
37 that county has imposed the tax, the taxable retail sales within the  
38 city in state fiscal year 2019 must be subtracted from the taxable  
39 retail sales within the county for the calculation of the maximum  
40 amount; and

1 (b) The maximum amount for a city equals the taxable retail sales  
2 within the city in state fiscal year 2019 multiplied by the tax rate  
3 imposed under subsection (1) of this section.

4 (5) The tax must cease to be distributed to a county or city for  
5 the remainder of any fiscal year in which the amount of tax exceeds  
6 the maximum amount in subsection (4) of this section. The department  
7 must remit any annual tax revenues above the maximum to the state  
8 treasurer for deposit in the general fund. Distributions to a county  
9 or city meeting the maximum amount must resume at the beginning of  
10 the next fiscal year.

11 (6) (a) ~~((If a county has a population greater than four hundred~~  
12 ~~thousand or a city has a population greater than one hundred~~  
13 ~~thousand, the)) The moneys collected or bonds issued under this  
14 section may only be used for the following purposes:~~

15 (i) Acquiring, rehabilitating, or constructing affordable  
16 housing, which may include new units of affordable housing within an  
17 existing structure or facilities providing supportive housing  
18 services under RCW 71.24.385; ~~((or))~~

19 (ii) Funding the operations and maintenance costs of new units of  
20 affordable or supportive housing ~~((or~~

21 ~~(b) If a county has a population of four hundred thousand or less~~  
22 ~~or a city has a population of one hundred thousand or less, the~~  
23 ~~moneys collected under this section may only be used for the purposes~~  
24 ~~provided in (a) of this subsection)); or ~~((for))~~~~

25 (iii) For providing rental assistance to tenants.

26 (b) Administrative costs of the county or city associated with  
27 administering this section may not exceed 10 percent of the annual  
28 tax distributed to the jurisdiction under this section.

29 (7) The housing and services provided pursuant to subsection (6)  
30 of this section may only be provided to persons whose income is at or  
31 below sixty percent of the median income of the county or city  
32 imposing the tax.

33 (8) In determining the use of funds under subsection (6) of this  
34 section, a county or city must consider the income of the individuals  
35 and families to be served, the leveraging of the resources made  
36 available under this section, and the housing needs within the  
37 jurisdiction of the taxing authority.

38 (9) To carry out the purposes of this section including, but not  
39 limited to, financing loans or grants to nonprofit organizations or  
40 public housing authorities, the legislative authority of the county

1 or city imposing the tax has the authority to issue general  
2 obligation or revenue bonds within the limitations now or hereafter  
3 prescribed by the laws of this state, and may use, and is authorized  
4 to pledge, the moneys collected under this section for repayment of  
5 such bonds.

6 (10) A county or city may enter into an interlocal agreement with  
7 one or more counties, cities, or public housing authorities in  
8 accordance with chapter 39.34 RCW. The agreement may include, but is  
9 not limited to, pooling the tax receipts received under this section,  
10 pledging those taxes to bonds issued by one or more parties to the  
11 agreement, and allocating the proceeds of the taxes levied or the  
12 bonds issued in accordance with such interlocal agreement and this  
13 section.

14 (11) Counties and cities imposing the tax under this section must  
15 report annually to the department of commerce on the collection and  
16 use of the revenue. The department of commerce must adopt rules  
17 prescribing content of such reports. By December 1, 2019, and  
18 annually thereafter, and in compliance with RCW 43.01.036, the  
19 department of commerce must submit a report annually to the  
20 appropriate legislative committees with regard to such uses.

21 (12) The tax imposed by a county or city under this section  
22 expires twenty years after the date on which the tax is first  
23 imposed.

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