

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1406

Chapter 338, Laws of 2019

66th Legislature
2019 Regular Session

AFFORDABLE AND SUPPORTIVE HOUSING--LOCAL SALES AND USE TAX

EFFECTIVE DATE: July 28, 2019

Passed by the House April 28, 2019
Yeas 62 Nays 36

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 28, 2019
Yeas 33 Nays 15

CYRUS HABIB

President of the Senate

Approved May 9, 2019 2:51 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1406** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

May 13, 2019

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1406

AS AMENDED BY THE SENATE

Passed Legislature - 2019 Regular Session

State of Washington

66th Legislature

2019 Regular Session

By House Housing, Community Development & Veterans (originally sponsored by Representatives Robinson, Macri, Chapman, Valdez, Senn, Peterson, Kloba, Tharinger, Gregerson, Stanford, Walen, Doglio, Frame, Jinkins, Riccelli, Slatter, Ormsby, and Santos)

READ FIRST TIME 02/08/19.

1 AN ACT Relating to encouraging investments in affordable and
2 supportive housing; and adding a new section to chapter 82.14 RCW.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.14
5 RCW to read as follows:

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

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

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

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

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

16 (e) "Qualifying local tax" means the following tax sources, if
17 the tax source is instated no later than twelve months after the
18 effective date of this section:

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

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

4 (iii) The sales tax for chemical dependency and mental health
5 treatment services or therapeutic courts authorized under RCW
6 82.14.460 imposed by a city; and

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

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

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

15 (c) The rate of the tax under this section for an individual
16 participating city and an individual participating county may not
17 exceed:

18 (i) Beginning on the effective date of this section until twelve
19 months after the effective date of this section:

20 (A) 0.0073 percent for a:

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

23 (II) Participating county, within the limits of nonparticipating
24 cities within the county and within participating cities that do not
25 currently levy a qualifying tax;

26 (B) 0.0146 percent for a:

27 (I) Participating city that currently levies a qualifying local
28 tax;

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

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

37 (ii) Beginning twelve months after the effective date of this
38 section:

39 (A) 0.0073 percent for a:

1 (I) Participating city that is located within a participating
2 county if the participating city is not levying a qualifying local
3 tax; and

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

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

7 (I) Participating city that is levying a qualifying local tax;
8 and

9 (II) Participating county within the unincorporated area of the
10 county and within the limits of any nonparticipating city that is
11 located within the county.

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

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

17 (A) A resolution of intent to adopt legislation to authorize the
18 maximum capacity of the tax in this section within six months of the
19 date in which this section takes effect; and

20 (B) Legislation to authorize the maximum capacity of the tax in
21 this section within one year of the date on which this section takes
22 effect.

23 (ii) Adoption of the resolution of intent and legislation
24 requires simple majority approval of the enacting legislative
25 authority.

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

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

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

39 (a) The maximum amount for a participating county equals the
40 taxable retail sales within the county in state fiscal year 2019

multiplied by the tax rate imposed under this section. If a county imposes a tax authorized under this section after a city located in that county has imposed the tax, the taxable retail sales within the city in state fiscal year 2019 must be subtracted from the taxable retail sales within the county for the calculation of the maximum amount; and

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

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

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

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

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

(b) If a county has a population of four hundred thousand or less or a city has a population of one hundred thousand or less, the moneys collected under this section may only be used for the purposes provided in (a) of this subsection or for providing rental assistance to tenants.

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

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

1 (9) To carry out the purposes of this section including, but not
2 limited to, financing loans or grants to nonprofit organizations or
3 public housing authorities, the legislative authority of the county
4 or city imposing the tax has the authority to issue general
5 obligation or revenue bonds within the limitations now or hereafter
6 prescribed by the laws of this state, and may use, and is authorized
7 to pledge, the moneys collected under this section for repayment of
8 such bonds.

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

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

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

Passed by the House April 28, 2019.
Passed by the Senate April 28, 2019.
Approved by the Governor May 9, 2019.
Filed in Office of Secretary of State May 13, 2019.

--- END ---