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**ENGROSSED SUBSTITUTE HOUSE BILL 2437**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** House Finance (originally sponsored by Representatives Robinson, Tharinger, Macri, Ryu, Kagi, Pollet, Ormsby, Doglio, Santos, and Tarleton)

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

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

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

(1)(a) A county legislative authority may authorize, fix, and impose a sales and use tax in accordance with the terms of this chapter. The rate of the tax under this section may not exceed 0.03 percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(b)(i) If a county with a population of one million five hundred thousand or less has not imposed the full tax rate authorized under (a) of this subsection by July 1, 2020, any city legislative authority in that county may authorize, fix, and impose the sales and use tax in accordance with the terms of this chapter. The rate of tax under this section may not exceed 0.03 percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(ii) If a county with a population of greater than one million five hundred thousand has not imposed the full tax rate authorized under (a) of this subsection by July 1, 2021, any city legislative authority in that county may authorize, fix, and impose the sales and use tax in accordance with the terms of this chapter. The rate of tax under this section may not exceed 0.03 percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(c) The effective date of a tax imposed under this section must be the first day of a state fiscal year.

(d) If a county imposes a tax authorized under (a) of this subsection after a city located in that county has imposed the tax authorized under (b) of this subsection, the county must provide a credit against its tax for the full amount of tax imposed by the city.

(e) If a county or city has not imposed the tax under this subsection by July 1, 2023, the county or city may not authorize, fix, and impose the tax.

(2) The tax imposed under subsection (1) of this section must be deducted from the amount of tax otherwise required to be collected or paid to the department of revenue under chapter 82.08 or 82.12 RCW. The department must perform the collection of such taxes on behalf of the county or city at no cost to the county or city.

(3) A county or city imposing a tax under subsection (1) of this section must provide annual matching funds for the purposes in subsection (6) of this section. The matching funds must not be derived from the state-subsidized portion of any state loan or grant, any local tax that is credited against state retail sales and use taxes, or any other state funds. The amount of the matching funds is determined by the rate imposed as follows:

(a) If the rate imposed is 0.0125 percent or less, the matching funds must equal at least ten percent of the annual maximum amount of tax distributions as calculated in subsection (4) of this section;

(b) If the rate imposed is greater than 0.0125 percent but no more than 0.025 percent, the matching funds must equal at least fifteen percent of the annual maximum amount of tax distributions as calculated in subsection (4) of this section; and

(c) If the rate imposed is greater than 0.025 percent, the matching funds must equal at least thirty-five percent of the annual maximum amount of tax distributions as calculated in subsection (4) of this section.

(4) By December 31, 2018, or within thirty days of a county or city authorizing the tax under subsection (1) of this section, whichever is later, the department must calculate the maximum amount of tax distributions for each county and city authorizing the tax under subsection (1) of this section as follows:

(a) The maximum amount for a county equals the taxable retail sales within the county in state fiscal year 2018 multiplied by the tax rate imposed under subsection (1) of this section. If a county imposes a tax authorized under subsection (1) of this section after a city located in that county has imposed the tax, the taxable retail sales within the city in state fiscal year 2018 must be subtracted from the taxable retail sales within the county for the calculation of the maximum amount.

(b) The maximum amount for a city equals the taxable retail sales within the city in state fiscal year 2018 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) The moneys collected or bonds issued under this section may only be used for the following purposes:

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

(b) Funding the operations and maintenance costs of new units of affordable or supportive housing; or

(c) 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 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.

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

(10) A county with a population of greater than one million five hundred thousand imposing a tax under this section must distribute funds in an equitable manner throughout the county in furtherance of a regional implementation plan. The county legislative authority must refer the plan to a regional committee for review and recommendation pursuant to, and consistent with, county charter regional committee provisions. The county must produce an annual report on the geographic distribution of funds across the county, including the location of affordable or supportive housing by jurisdiction, and identify barriers, if any, to distributing funds in certain communities.

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

(12) Counties and cities imposing the tax under this section must report annually to the housing finance commission on the collection and use of the revenue. The commission must adopt rules prescribing content of such reports. By December 1, 2019, and annually thereafter, and in compliance with RCW 43.01.036, the housing finance commission must submit a report annually to the appropriate legislative committees with regard to such uses.

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

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