

SHB 1406 - S COMM AMD
By Committee on Ways & Means

ADOPTED AS AMENDED 04/28/2019

1 Strike everything after the enacting clause and insert the
2 following:

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

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

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

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

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

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

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

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

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

22 (iii) The sales tax for chemical dependency and mental health
23 treatment services or therapeutic courts authorized under RCW
24 82.14.460 imposed by a city; and

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

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

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

1 (c) The rate of the tax under this section for an individual
2 participating city and an individual participating county may not
3 exceed:

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

6 (A) 0.0073 percent for a:

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

9 (II) Participating county, within the limits of nonparticipating
10 cities within the county and within participating cities that do not
11 currently levy a qualifying tax;

12 (B) 0.0146 percent for a:

13 (I) Participating city that currently levies a qualifying local
14 tax;

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

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

23 (ii) Beginning twelve months after the effective date of this
24 section:

25 (A) 0.0073 percent for a:

26 (I) Participating city that is located within a participating
27 county if the participating city is not levying a qualifying local
28 tax; and

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

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

32 (I) Participating city that is levying a qualifying local tax;
33 and

34 (II) Participating county within the unincorporated area of the
35 county and within the limits of any nonparticipating city that is
36 located within the county.

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

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

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

6 (B) Legislation to authorize the maximum capacity of the tax in
7 this section within one year of the date on which this section takes
8 effect.

9 (ii) Adoption of the resolution of intent and legislation
10 requires simple majority approval of the enacting legislative
11 authority.

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

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

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

25 (a) The maximum amount for a participating county equals the
26 taxable retail sales within the county in state fiscal year 2019
27 multiplied by the tax rate imposed under this section. If a county
28 imposes a tax authorized under this section after a city located in
29 that county has imposed the tax, the taxable retail sales within the
30 city in state fiscal year 2019 must be subtracted from the taxable
31 retail sales within the county for the calculation of the maximum
32 amount; and

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

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

1 or city meeting the maximum amount must resume at the beginning of
2 the next fiscal year.

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

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

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

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

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

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

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

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

1 bonds issued in accordance with such interlocal agreement and this
2 section.

3 (11) Counties and cities imposing the tax under this section must
4 report annually to the department of commerce on the collection and
5 use of the revenue. The department of commerce must adopt rules
6 prescribing content of such reports. By December 1, 2019, and
7 annually thereafter, and in compliance with RCW 43.01.036, the
8 department of commerce must submit a report annually to the
9 appropriate legislative committees with regard to such uses.

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

13 (13) If House Bill No. 1923 is enacted by the legislature,
14 beginning on the date that House Bill No. 1923 takes effect, a city
15 with a population over twenty thousand may no longer impose the tax
16 authorized in this section if such city fails to take action to
17 qualify by April 1, 2021, for a planning grant from the department of
18 commerce under RCW 36.70A.--- (section 1, chapter . . . (HB 1923),
19 Laws of 2019)."

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20 On page 1, line 2 of the title, after "housing;" strike the
21 remainder of the title and insert "and adding a new section to
22 chapter 82.14 RCW."

EFFECT: (1) Adds a voter approved property tax levy used solely
for affordable housing is eligible to be a qualifying local tax
source.

(2) Removes provisions regarding calculation of median income for
certain cities whose median income is not available from the United
States Census Bureau.

(3) Reduces the tax rates in the bill as follows:

(a) 0.02% in bill changed to 0.0146%;

(b) 0.01% in bill changed to 0.0073%.

(4) Adds that a city must have imposed at least half of the
authorized rate of the sales and use tax for housing and related
services to be eligible as a qualifying local tax. Clarifies that the
sales tax for chemical dependency and mental health treatment
services must be imposed by a city to be eligible as a qualifying
local tax. Clarifies the maximum local sales tax rate in
participating counties and cities.

(5) Specifies that, if House Bill No. 1923 is enacted by the legislature, a city may not impose the local tax authorized for affordable housing and the existing sales and use tax for affordable housing if they fail to take action to qualify for a planning grant from the Department of Commerce by April 1, 2021.

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