SENATE BILL REPORT
ESHB 2437

As of March 6, 2018

Title: An act relating to encouraging investments in affordable and supportive housing.

Brief Description: Encouraging investments in affordable and supportive housing.

Sponsors: House Committee on Finance (originally sponsored by Representatives Robinson, Tharinger, Macri, Ryu, Kagi, Pollet, Ormsby, Doglio, Santos and Tarleton).

Brief History: Passed House: 2/27/18, 52-46.
Committee Activity: Ways & Means: 3/06/18.

Brief Summary of Bill

- Authorizes the governing body of a county or city to impose a local sales tax, credited against the state sales tax, for affordable or supportive housing.
- Requires a county or city imposing the tax to provide annual matching funds.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: 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 taxes apply 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; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Summary of Bill: County legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing at a rate not to exceed .03 percent. If a county with a population of 1.5 million or less does not impose the tax by July 1, 2020, cities within

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the county may impose the tax. If a county with a population greater than 1.5 million does not impose the tax by July 1, 2021, cities within the county may impose the tax.

The effective date of the tax must be the first day of a state fiscal year. No county or city may first impose the tax after July 1, 2023. The tax expires 20 years after the jurisdiction first imposes the tax.

The tax is credited against the state sales tax collected in the jurisdiction. It is not an increase in sales or use tax for consumers and does not change the overall retail sales or use tax rate. Instead, the amount of sales tax retained by the state is reduced.

A county or city must provide annual matching funds based on the rate imposed and the maximum amount of tax distributions as follows:

- a rate of 0.0125 percent or less requires an annual match of 10 percent;
- a rate greater than 0.0125 percent, but no more than 0.025 percent, requires an annual match of 15 percent; and
- a rate greater than 0.025 percent requires an annual match of 35 percent.

A county or city may bond against the revenue. The revenue collected or bonds issued may only be used for:

- acquiring, rehabilitating, or constructing affordable housing, including new units of affordable housing within an existing structure or facilities providing supportive housing services;
- operations and maintenance costs of new units of affordable or supportive housing; or
- rental assistance to tenants.

A county or city may enter into an interlocal agreement with one or more other counties, cities, or housing authorities to provide affordable or supportive housing. A county with a population of greater than 1.5 million must distribute taxes collected under this act equitably throughout the county and produce an annual report on the geographic distribution of funds. Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Housing Finance Commission.

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.