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**HOUSE BILL 1581**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Representatives Fey, Riccelli, Wylie, Doglio, Jinkins, and Ormsby

AN ACT Relating to funding local housing trust fund programs in certain cities; adding a new section to chapter 82.14 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  The legislature finds that there is a housing affordability crisis that requires multiple urgent and creative responses. The legislature finds that certain cities have established local housing trust funds to respond to the crisis; however, to be successful local housing trust funds need dedicated sources of funding to provide greater and more reliable resources to preserve and build new housing. The legislature therefore creates the construction sales and use tax remittance for certain eligible cities.

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

(1) A city legislative authority with a population of at least two hundred thousand in a county with a population of less than one million five hundred thousand may impose a sales and use tax on the sale of or charge made for tangible personal property consumed or labor and services rendered in respect to the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for consumers, including the installing or attaching of any article of tangible personal property, whether or not such personal property becomes a part of the realty by virtue of installation, and also includes the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture.

(2) The tax authorized under subsection (1) of this section must be deducted from the amount of tax otherwise required to be collected or paid to the department. The department must perform the collection of such taxes on behalf of the city at no cost to the city and must remit the tax to the city as provided in RCW 82.14.060.

(3) The maximum rate of tax imposed under this section may not exceed six and five-tenths 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.

(4) The tax may only include the sale of or charge made for tangible personal property consumed or labor and services rendered in respect to the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for consumers, including the installing or attaching of any article of tangible personal property, whether or not such personal property becomes a part of the realty by virtue of installation, and also includes the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture.

(5) If a city has not imposed the tax under this section by July 1, 2021, the city may not impose the tax.

(6) A city imposing a tax under subsection (1) of this section must provide annual matching funds equal to at least fifty percent of the annual maximum amount of tax distributions as calculated in subsection (7) of this section. The matching funds must be spent on the purposes outlined in subsection (8) 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.

(7) The tax must cease to be distributed to a city imposing the tax under this section for the remainder of any fiscal year in which the amount of the tax exceeds five million dollars. The department must remit any annual tax revenues above the maximum to the state treasurer for deposit in the general fund. Distributions to a city meeting the maximum amount must resume at the beginning of the next fiscal year.

(8) The moneys collected under this section must be deposited into the city's local housing trust fund, and such funds must be used solely for the following purposes:

(a) New construction, rehabilitation, or acquisition of low-income and very low-income housing units;

(b) Matching funds for social services directly related to providing housing for special needs tenants in assisted projects;

(c) Technical assistance, design and finance services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations;

(d) Administrative costs for housing assistance groups or organizations when such grant or loan will substantially increase the recipient's access to housing funds other than those available under this chapter;

(e) Shelters and related services for the homeless, including emergency shelters and overnight youth shelters;

(f) Mortgage subsidies, including temporary rental and mortgage payment subsidies to prevent homelessness;

(g) Mortgage insurance guarantee or payments for eligible projects;

(h) Down payment or closing cost assistance for eligible first-time home buyers;

(i) Acquisition of housing units for the purpose of preservation as low-income or very low-income housing;

(j) Projects making housing more accessible to families with members who have disabilities; and

(k) Remodeling and improvements as required to meet building code, licensing requirements, or legal operations to residential properties owned and operated by an entity eligible under RCW 43.185A.040, which were transferred as described in RCW 82.45.010(3)(t) by the parent of a child with developmental disabilities.

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

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