FINAL BILL REPORT
ESHB 1070

C 27 L 21
Synopsis as Enacted

Brief Description: Modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ryu, Macri, Walen, Chopp, Santos, Fitzgibbon, Ramel, Wylie, Ramos, Bateman, Tharinger, Simmons, Kloba, Peterson, Gregerson, Goodman, Sells, Bronoske, Valdez, Callan, Hackney, Cody, Ormsby, Riccelli, Springer, Fey, Davis, Pollet and Harris-Talley).

House Committee on Finance
Senate Committee on Housing & Local Government

Background:

Retail Sales and Use Tax.
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 tax applies 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.

Local Sales and Use Tax for Housing and Related Services.
A city or county legislative authority may impose a 0.1 percent sales and use tax in order to fund housing and related services. The tax may be imposed by councilmanic action or by voter approval. A county with a population of greater than 1.5 million may impose the tax by councilmanic action only if the county plans to spend at least 30 percent of the moneys collected that are attributable to taxable activities or events within any city with a population of greater than 60,000 located in that county within the city's boundaries.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

A minimum of 60 percent of revenues collected must be used:
- for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services; or
- to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers.

The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income: individuals with mental illness; veterans; senior citizens; homeless families with children; unaccompanied homeless youth; persons with disabilities; or domestic violence victims. The remainder of the money collected must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Prior to constructing a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located.

<u>State-Shared Lodging Tax</u>.
A city or county legislative authority may impose a 0.2 percent special excise on the sale or charge made for the furnishing of lodging. The tax may be imposed by councilmanic authority. The tax is credited against the state sales tax rate. The state-shared lodging tax is also referred to as the "hotel/motel tax" or the "transient rental tax." Certain requirements of the tax may prevent some cities from imposing the tax.

Generally, proceeds from the tax must be used for tourism promotion, acquisition of tourism-related facilities, or the operation of tourism-related facilities.

Beginning January 1, 2021, for counties with a population of at least 1.5 million, proceeds from the tax must be used as follows:
- at least 37.5 percent for art museums, cultural museums, heritage museums, the arts, and the performing arts;
- at least 37.5 percent for contracts, loans, or grants to nonprofit organizations or public housing authorities for affordable workforce housing within 0.5 miles of a transit station or for services for homeless youth, or to repay revenue bonds used to finance projects authorized by a community preservation and development authority that promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities; and
- the remainder for capital or operating programs that promote tourism and attract tourists to the county.

For purposes of the use of funds by counties with a population of at least 1.5 million, the income threshold for "affordable workforce housing" is between 30 and 80 percent of the county median income, adjusted for household size.

Summary:

Local Sales and Use Tax for Housing and Related Services.
The acquisition of affordable housing, facilities providing housing-related services, behavioral health-related facilities, or land for these purposes, is added to the allowable use of at least 60 percent of the funds raised from the local sales and use tax for housing and related services. Affordable housing includes emergency, transitional, and supportive housing.

Prior to acquiring a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located.

A county must prioritize providing an opportunity for 15 percent of the units in an acquired facility to be provided to individuals living in or near the city in which the facility is located, or have ties to the community. Such prioritization must not jeopardize United States Department of Housing and Urban Development funding for the Continuum of Care Program.

State-Shared Lodging Tax.
Housing or facilities for homeless youth is added to the allowable use of at least 37.5 percent of the funds raised from the state-shared lodging tax by a county with a population of at least 1.5 million.

For purposes of the use of funds by counties with a population of at least 1.5 million, the income threshold for "affordable workforce housing" is at or below 80 percent of the county median income, adjusted for household size.

Votes on Final Passage:

House	56	42
Senate	36	13

Effective: April 14, 2021