HOUSE BILL REPORT
HB 1987

As Reported by House Committee On:
Local Government

Title: An act relating to the use of moneys from the rural public facilities sales and use tax for affordable workforce housing infrastructure and facilities.

Brief Description: Concerning the use of moneys from the rural public facilities sales and use tax for affordable workforce housing infrastructure and facilities.

Sponsors: Representatives Low, Ramel, Ryu, Eslick, Timmons, Paul, Ramos, Reed, Chapman, Ormsby, Graham, Doglio, Sandlin, Lekanoff, Tharinger and Santos.

Brief History:
Committee Activity:
Local Government: 1/12/24, 1/19/24 [DP].

Brief Summary of Bill

- Specifies that revenue from the local sales and use tax for public facilities in rural counties may be used to finance the construction of affordable workforce housing infrastructure or facilities.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 7 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Goehner, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Berg, Griffey and Riccelli.

Staff: Elizabeth Allison (786-7129).

Background:

Retail Sales and Use Tax.

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.

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 depending on the location.

Local Retail Sales and Use Tax for Public Facilities in Rural Counties.
The legislative body of a rural county may impose a sales and use tax of up to 0.09 percent of the selling price or value of an article of tangible personal property. The tax is deducted from the state sales and use tax collected.

A rural county is defined as a county with a population density of less than 100 persons per square mile, or counties smaller than 225 square miles. There are 30 counties that meet the rural county definition.

Moneys from the local option tax may only be used to finance public facilities serving economic development purposes and to pay for personnel in economic development offices.

"Economic development purposes" means those purposes which facilitate the creation or retention of businesses and jobs in a county.

Public facilities include bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, storm sewer facilities, railroads, electrical facilities, natural gas facilities, telecommunications infrastructure, port facilities in the state, affordable workforce housing infrastructure or facilities, and other specifically identified facilities.

Summary of Bill:

Financing affordable workforce housing infrastructure or facilities, and land for such purposes, is specifically provided as an authorized use of revenue from the local sales and use tax for public facilities in rural counties.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is mostly about a technical fix with a slight broadening of the original policy. In 2022 the Legislature modified the allowed uses of the rural public facilities sales and use tax to include affordable workforce housing infrastructure and facilities. This bill allows revenue from the tax to be used for land in addition to affordable workforce housing infrastructure and facilities, which is a clarification to existing policy to allow counties to use this money as intended. Money is crucial for economic development in communities. There must be affordable housing to attract businesses to invest in rural communities. Skagit County has the lowest vacancy rate in the state, making it difficult to move and work there. Creating housing in cities is helpful to having workers come to the cities. An amendment allowing rural counties to utilize funding with nonprofit partners would be helpful. The bill separates workforce housing from public facilities. The median home price is up from last year and has nearly doubled in the last five to six years.

(Opposed) None.

(Other) Ports rely on economic development funding for creating jobs. There are real concerns with this legislation as it is an ineffective way to produce additional revenue to address affordable housing. Other legislation that will be far more effective in responding to the need for affordable workforce housing will be coming before the Legislature.

Persons Testifying: (In support) Representative Sam Low, prime sponsor; Peter Browning, Skagit County; and Kaylee Galloway, Whatcom County.

(Other) Chris Herman, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: None.