BILL ANALYSIS

Local Government Committee

SSB 5604

Brief Description: Concerning county sales and use taxes for mental health and housing.

Sponsors: Senate Committee on Local Government, Land Use & Tribal Affairs (originally sponsored by Senators Robinson, Nguyen and Stanford).

Brief Summary of Substitute Bill

- Allows counties, as well as cities, to use revenue from the chemical dependency and mental health treatment program sales and use tax to make modifications to existing facilities to address health and safety needs necessary for the provision of the programs.
- Allows all counties and cities, regardless of population, to use the affordable and supportive housing sales and use tax for the same purposes, and allows retention of administrative costs related to the tax of up to 10 percent of the annual revenue.

Hearing Date: 3/15/23

Staff: Kellen Wright (786-7134).

Background:

A sales tax is a tax applied to the sale, rental, repair, or installation of tangible person property, digital products, or some services purchased for the buyer's own use. It is a percentage tax based on the selling price of the items. A use tax is similar, except that it applies to the value of goods used within the state when a sales tax for them has not been paid. For example, a sales tax would be imposed on the sale of a car inside Washington, while a use tax would be imposed on a car purchased outside of Washington when it is registered in Washington if no sales tax, or a sales tax at a lower rate than Washington's, was paid at the time of purchase.

The state imposes a sales and use tax at a rate of 6.5 percent of the selling price or value of the article sold or used. Counties and cities can also impose sales and use taxes when authorized to do so by the Legislature. When the Legislature does authorize these local sales and use taxes, the revenue from the tax is often required to be used for a specific purpose.

Chemical Dependency and Mental Health Treatment Programs Sales and Use Tax.
One such sales and use tax has been authorized for providing chemical dependency or mental health treatment programs and for therapeutic court services. The programs can include, but are not limited to, components of coordinated services such as treatment services, case management, transportation, and housing. Cities can also use the revenue from the tax to make modifications to existing facilities to address health and safety needs necessary for the provision of the programs. A county that imposes this tax must operate a therapeutic court for dependency proceedings.

This tax may be imposed by the legislative authority of a county. If a county with a population of more than 800,000 has not imposed the tax by January 1, 2011, then any city within the county with a population of more than 30,000 may impose the tax. A county that later imposes the tax must provide a credit against its tax in the full amount of the tax imposed by the city. The tax can be imposed at a rate of up to 0.1 percent of the selling price or value of the article.

A county with a population of more than 25,000, or a city with a population of more than 30,000 may use the revenue from the tax to supplant existing funding for a limited time. For the first three years that the tax is collected, up to 50 percent of the revenue may be used to supplant existing funding. For the fourth and fifth years, up to 25 percent of the revenue may be used in this way.

Affordable and Supportive Housing Sales and Use Tax.
Another limited-use local sales and use tax can be imposed for affordable and supportive housing services for persons whose income is at or below 60 percent of the median income for the county or city imposing the tax. The tax was available for imposition by a county or city legislative authority between July 28, 2019, and July 28, 2020.

The precise allowed use of the revenue depends on the population of the jurisdiction imposing the tax. All counties and cities may use the revenue for acquiring, rehabilitating, or constructing affordable housing, including adding new units within an existing facility providing supportive housing services. Counties with fewer than 400,000 people, and cities with fewer than 100,000, may additionally use the revenue for providing rental assistance to tenants. Counites and cities above those thresholds can also use the revenue for the operation and maintenance cost of new units of affordable or supportive housing.

The rate of tax that can be imposed also varies. The maximum tax rate is 0.0073 percent for a city, if the county is also imposing the tax and the city has not imposed an affordable housing levy, a sales and use tax for housing and related services at a rate of at least half of the authorized maximum, the sales and use tax for chemical dependency and mental health treatment programs, or an increase in a regular property tax levy solely for the purposes of affordable housing before July 28, 2020. A county may impose the tax at up to the same rate within such a city.

The maximum rate is instead 0.0146 percent if imposed by a city that is levying one or more of the other taxes, or if imposed by a county in the unincorporated portions of the county or within a city that has not imposed the affordable and supportive housing sales and use tax. A county may not impose a tax within a city that is imposing both the affordable and supportive housing tax and one of the other taxes.

The tax is credited against the sales and use tax collected for the state. This means that, rather than the person paying the tax paying a greater rate of tax, the amount of the tax is instead deducted from the taxes remitted to the Department of Revenue. The maximum that may be collected by a county or city under this tax is the total taxable retail sales within the county or city in 2019 multiplied by the rate of the tax imposed, with any sales that were made within a city that is imposing the tax subtracted from the total sales made within the county. Any revenue exceeding this amount must go to the State General Fund.

The affordable and supportive housing sales and use tax expires 20 years after it is first imposed.

Summary of Bill:

Counties, as well as cities, may use revenue from the chemical dependency and mental health treatment program sales and use tax to make modifications to existing facilities to address health and safety needs necessary for the provision of the programs.

All counties and cities imposing the affordable and supportive housing sales and use tax may use the tax for acquiring, rehabilitating, or constructing affordable housing; providing rental assistance to tenants; and for the operation and maintenance cost of new units of affordable or supportive housing. Counties and cities may retain administrative costs related to this tax of up to 10 percent of the annual revenue from the tax.

Appropriation: None.

Fiscal Note: Available.

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