
Local Government Committee

SB 6173

Brief Description: Encouraging investments in affordable homeownership unit development.

Sponsors: Senators Nobles, Trudeau, Kuderer, Lovelett, Mullet, Nguyen, Randall, Torres and Wilson, C..

Brief Summary of Bill

- Allows revenue from the affordable and supportive housing sales and use tax to be used on housing and services for persons at or below 80 percent of the median income of the county or city imposing the tax, instead of only for those at or below 60 percent of the median income, when the revenue is supporting the development of affordable housing intended for owner occupancy.

Hearing Date: 2/20/24

Staff: Kellen Wright (786-7134).

Background:

A sales tax is a tax applied to the sale, rental, repair, or installation of tangible personal 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 item. 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 the car's purchase.

The state imposes a sales and use tax at a rate of 6.5 percent of the selling price or value of the

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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 a local sales and use tax, the revenue from the tax is often required to be used for a specific purpose.

Once such limited-use tax is that for affordable and supportive housing services for persons with income 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.

Counties and cities may use the revenue from the tax for acquiring, rehabilitating, or constructing affordable housing, including adding new units within an existing facility providing supportive housing services; for providing rental assistance to tenants; and for the operation and maintenance cost of new units of affordable or supportive housing. Housing and services may only be provided to people with an income at or below 60 percent of the median income of the county or city imposing the tax.

The rate of tax that can be imposed 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;
- a 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 purchaser paying a greater rate of tax, the amount of the tax is instead deducted from the sales and use tax revenue 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:

Revenue from the affordable and supportive housing sales and use tax can only be used to provide housing and services to people with an income at or below 60 percent of the median income of the county or city imposing the tax, unless the revenue is supporting the development of affordable housing intended for owner occupancy by those with low or moderate income. If it is supporting such housing, then housing and services can also be provided to people at or below 80 percent of the median income of the county or city imposing 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.