

# SENATE BILL REPORT

## SB 6173

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As Reported by Senate Committee On:  
Housing, January 24, 2024

**Title:** An act relating to affordable and supportive housing sales and use taxes and encouraging investments in affordable homeownership unit development.

**Brief Description:** Encouraging investments in affordable homeownership unit development.

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

**Brief History:**

**Committee Activity:** Housing: 1/19/24, 1/24/24 [DP, w/oRec].

**Brief Summary of Bill**

- Allows revenue from the affordable and supportive housing sales and use tax to be used for housing and services provided to persons whose income is at or below 80 percent of the median income if it is supporting the development of affordable housing intended for owner occupancy.

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### SENATE COMMITTEE ON HOUSING

**Majority Report:** Do pass.

Signed by Senators Kuderer, Chair; Frame, Vice Chair; Fortunato, Ranking Member; Cleveland, Gildon, Rivers, Saldaña, Shewmake, Trudeau and Wilson, J..

**Minority Report:** That it be referred without recommendation.

Signed by Senator Braun.

**Staff:** Melissa Van Gorkom (786-7491)

**Background:** Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of

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*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.*

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 cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent.

Affordable and Supportive Housing. Local jurisdictions may impose a local state-shared sales and use tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.0146 percent or 0.0073 percent. The tax is credited against the state sales tax collected in the jurisdiction. To impose the tax, the local jurisdiction must adopt both of the following:

- a resolution of intent to adopt legislation by January 28, 2020; and
- legislation to authorize the tax by July 28, 2020.

Funds from this tax must be used for the following:

- acquisition, rehabilitation, or construction of affordable housing;
- funding the operations and maintenance costs of new units of affordable or supportive housing; or
- providing rental assistance to tenants.

Counties or cities may retain up to 10 percent of the affordable and supportive housing tax for administrative costs.

Housing and services may only be provided to persons whose income is at or below 60 percent of the county median income.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Department of Commerce (Commerce), and Commerce must submit a report annually to the appropriate legislative committees. The tax expires 20 years after the jurisdiction first imposes the tax.

**Summary of Bill:** Local jurisdictions imposing an affordable and supportive housing sales and use tax may provide housing and services to persons whose income is at or below 80 percent of the median income of the county or city imposing the tax if it is supporting the development of affordable housing intended for owner occupancy.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The dream of homeownership is illusive for much of the population and it is difficult for a lot of people to find homeownership in the place where they call home. Many households are cost burdened, meaning they spend more than 30 percent of their income on housing related expenses. This bill seeks to expand the production of affordable housing by empowering local municipalities to collaborate with organizations dedicated to creating homeownership opportunities and recognizes the vital role these organizations play in bridging the gap between the dream of homeownership and the financial realities they face. Last year the Legislature passed the Covenant Homeownership Act that will help support the black community that has been harmed by racially segregated housing environment. We have to continue to build housing stability and access to homeownership and this is just one tool to allow cities and counties to support the Legislature in providing more of these opportunities to help undue housing injustice. It is a critical step to foster inclusivity and ensure that hard working families are not left behind.

In 2023, the capital budget invested a historic amount in the Housing Trust Fund to support the creation of affordable homeownership units, but local funding tools to support this development lag behind. Typically two funding sources are needed to pay for the costs not covered by the mortgages and cities need new tools to address these needs. This is not a new tax or increase. The bill provides more local control by giving cities the flexibility to decide how to allocate their own scarce resources. Needs vary in those communities and so this broadens the ability to use money to help build homeownership opportunities. Greater flexibility allows us to serve more families.

**Persons Testifying:** PRO: Senator T'wina Nobles, Prime Sponsor; Jason Gauthier, South Sound Housing Affordability Partners; Kathleen Hosfeld, Homestead Community Land Trust; Jet Richardson, Tri-County Partners Habitat for Humanity; Liz Crouse, Tacoma/Pierce County Habitat for Humanity; Heather Moss, Pierce County Human Services.

**Persons Signed In To Testify But Not Testifying:** No one.