

# HOUSE BILL REPORT

## SB 6173

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### As Passed House:

March 1, 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:

Local Government: 2/20/24, 2/21/24 [DP];

Finance: 2/23/24, 2/26/24 [DP].

#### Floor Activity:

Passed House: 3/1/24, 95-0.

### 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.

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## 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.

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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.*

**Staff:** Kellen Wright (786-7134).

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

**Staff:** Kristina King (786-7190).

### **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 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 of 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.

Within such a city, a county may impose the tax at up to the same rate as the 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.

**Staff Summary of Public Testimony (Local Government):**

(In support) This bill would allow funding for affordable projects that make more sense for homeownership rather than rentals. This bill also allows more flexibility to be able to take

on new middle housing projects. Currently, funds are prohibited for projects for those at 80 percent of the area median income, and some organizations primarily address those housing types. Allowing more flexibility in the use of revenue will allow for partnerships with other projects. This is an excellent way to use funding for both ends of the affordable housing spectrum. Only one funding tool currently goes up to 80 percent of the area median income, and this will allow for more funding to address that housing need.

(Opposed) None.

**Staff Summary of Public Testimony (Finance):**

(In support) There is a housing supply crisis in Washington across the income spectrum and this is especially true for middle housing. Out of the four most used city and county funding tools, only one of those is allowed to serve households earning up to 80 percent of the area median income. Homeownership providers need access to local funding that can serve households earning more than 50 percent of area median income but find themselves competing for the same dollars against rental housing developers. Cities without housing levies need new tools to address missing workforce middle-housing needs. This bill will give cities funding flexibility to include affordable homeownership in their housing strategies to enable them to better address the disparate impacts of housing policies in support of their comprehensive plans.

This bill is not a new tax or a tax increase. It does not expand the amount of the tax, or the duration of time governments can collect the tax. This bill will help 15 member governments to work together to use the revenue to create and preserve affordable, attainable, and accessible housing later this year. The bill allows local governments and regional organizations to respond appropriately to funding requests for affordable housing developers, particularly for middle-housing. This bill also allows local governments to be better partners with the state as the state continues to directly invest in affordable homeownership developments through the Housing Trust Fund and the new Homeownership Covenant Act.

(Opposed) None.

**Persons Testifying (Local Government):** Jason Gauthier, South Sound Housing Affordability Partners; Adán Espino, Habitat for Humanity of Washington State; and Nick Federici, Northwest Community Land Trust Coalition.

**Persons Testifying (Finance):** Jason Gauthier, South Sound Housing Affordability Partners; and Kiara Daniels, Northwest Community Land Trust Coalition.

**Persons Signed In To Testify But Not Testifying (Local Government):** None.

**Persons Signed In To Testify But Not Testifying (Finance):** None.