

# HOUSE BILL REPORT

## HB 1717

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to a sales and use tax remittance program for affordable housing.

**Brief Description:** Creating a sales and use tax remittance program for affordable housing.

**Sponsors:** Representatives Leavitt, Low, Richards, Shavers, Walen, Parshley, Reed and Nance.

**Brief History:**

**Committee Activity:**

Finance: 2/21/25, 2/25/25 [DP], 1/15/26, 1/29/26 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes cities and counties to establish a sales and use tax remittance program for affordable housing.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell, Chase, Mena, Penner, Ramel, Santos, Scott, Springer, Walen, Wylie and Zahn.

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

**Background:**

Sales and Use Tax.

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 are not collected when the

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user acquires 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.

Those constructing affordable housing or mixed-use affordable housing generally pay sales and use taxes on materials and labor required to construct them. There are some sales and use tax deferral programs related to affordable housing, like the deferral for underutilized commercial property created in the 2024 Legislative Session.

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### **Summary of Substitute Bill:**

#### Sales and Use Tax Remittance Program for Affordable Housing.

The legislative authority of a city or county is authorized to adopt a resolution to create a sales and use tax remittance program for the development of affordable housing by eligible organizations. Eligible organizations include:

- nonprofit developers;
- for-profit developers;
- public housing authorities;
- public development authorities; and
- other applicants eligible under rules established by the Washington State Housing Finance Commission.

#### *Public Notice and Hearing Requirements.*

The governing authority must hold a hearing to consider the remittance program and provide information pertaining to the application, approval, and appeals process. The governing authority must give public notice of the hearing each week for two consecutive weeks, no more than 30 days before the date of the hearing. The governing authority may authorize the creation of the remittance program following the hearing. A county cannot adopt the remittance program within the limits of a city that adopts the program.

#### *Application Approval or Denial.*

To receive an exemption, an eligible organization must apply to the city or county on forms adopted by the governing authority and verify the information provided in the application by oath or affirmation. The governing authority may establish an application fee to cover the cost in administering the program, which must be paid at the time of application. An authorized administrative official or committee of the city or county may approve an application and grant a conditional certificate of program approval (conditional certificate) if:

- the project is set aside primarily for affordable housing or mixed-use affordable housing development, and the applicant commits to renting or selling at least 50 percent of the units to low- and moderate-income households for a minimum of 40 years;

- the applicant commits to any additional affordability and income eligibility conditions adopted by the local government;
- the project is, or will be at the time of completion, in conformance with all local plans and regulations that apply at the time the application is approved;
- the area is located within an area zoned for residential or mixed uses; and
- all other requirements are met.

If the application is denied, the city or county must state in writing the reasons for denial and send the notice within 90 days. The applicant may appeal the decision within 30 days with the burden of proof on the applicant to show that there was no substantial evidence to support the decision. The decision of the city or county on the appeal is final.

*Certificate of Completion.*

Within 30 days of the issuance of a certificate of occupancy for a project, the conditional recipient must file with the governing authority:

- a description of the work completed and a statement that the eligible investment project qualifies the property for a sales and use tax remittance;
- a statement of the new affordable housing to be offered; and
- a statement that the work has been completed within three years of the receipt of the conditional certificate of program approval.

Within 30 days of receipt, the governing authority must issue a certificate of completion, if it determines the investment project continues to qualify for the tax remittance. The conditional recipient may file an appeal in superior court within 30 days of notification by the governing authority to deny a remittance of sales and use taxes.

*Remittance of Sales and Use Taxes.*

An eligible organization claiming a remittance must pay all state and local sales and use taxes on purchases of materials incorporated into, and labor and services rendered in respect to, a qualifying project and apply to the city or county for a remittance of the taxes paid. The remittance is equal to 100 percent of local sales and use taxes paid by an eligible organization and applies only to taxes levied within the jurisdiction of the city or county that has authorized the remittance program.

To receive remittance the eligible organization must submit to the city or county:

- a remittance application in a form and manner required by the city or county;
- a certificate of occupancy from the permitting authority;
- a certificate of completion from the city or county affirming the project meets the requirements;
- an information sheet specifying the amount of exempted tax claimed and the qualifying purchases or acquisitions for which remittance is claimed;
- a signed affidavit from an authorized representative of the city or county requesting or declining the remittance; and
- any other documentation supporting the application.

An eligible organization is limited to one remittance application per project per calendar quarter and the city or county may not accept applications for the remittance after December 31, 2036.

*Post-Remittance Requirements.*

Thirty days after the issuance of the certificate of occupancy and each year, for 40 years, the eligible organization must submit a report to the city to verify compliance with the affordability requirements of the remittance program.

*Cancellation of Remittance.*

If a city or county finds that a portion of the project is changed or will be changed to no longer qualify for the remittance, all exempted sales and use taxes are immediately due and payable. A debt for remitted taxes is not extinguished by insolvency or other failure of the recipient. The city or county must assess interest, but not penalties, retroactively to the date of the exemption. A city or county is authorized to provide exemption or extensions to the 40-year affordability requirement if a failure to meet the requirements is due to circumstances beyond the control of the eligible organization, including natural disasters, such as wildfires or earthquakes.

*Transfer of Investment Project Ownership.*

The transfer of investment project ownership does not terminate the exemption if the successor meets the eligibility requirements. The governing authority must certify that the successor meets the requirements of the exemption. The transferor must notify the governing authority of the transfer and provide the information necessary for the city or county to transfer the exemption. If the transferor fails to make the notification, all exempted sales and use taxes are immediately due and payable.

**Substitute Bill Compared to Original Bill:**

The substitute bill:

- modifies the remittance program to apply only to local sales and use tax;
- places all administrative duties for the program and the remittance under the local government's purview and removes the Department of Revenue from all administrative responsibilities in the bill;
- modifies the program by increasing the remittance to 100 percent of local sales taxes paid to an eligible organization and removes the local government remittance provision;
- expires the remittance program on December 31, 2036;
- clarifies that the remittance of taxes paid apply only to purchases made within the jurisdiction of the city or county operating the remittance program;
- requires the eligible organization to commit to renting or selling at least 50 percent of the units to low-income and moderate-income households for a minimum of 40 years;
- replaces the definition of low-income household with "a single person, family, or

- unrelated persons living together whose adjusted income is at or below 80 percent of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the property is located, as reported by the United States Department of Housing and Urban Development;"
- defines moderate-income household as "a single person, family, or unrelated persons living together whose adjusted income is more than 80 percent but is at or below 120 percent of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by the United States Department of Housing and Urban Development;"
  - limits the number of remittance applications submitted by an eligible organization to one per project per calendar quarter;
  - extends the deadline for application denial notices sent by the local government to a remittance program applicant from 10 days to 90 days;
  - removes the ability for an eligible organization to voluntarily opt to discontinue compliance with the 40-year affordability requirement;
  - removes the requirement for a tax preference performance statement and Joint Legislative Audit and Review Committee review;
  - allows a city or county governing authority to provide exceptions or extensions to the 40-year affordability requirement if a failure to meet the requirements is due to circumstances beyond the control of the eligible organization, including natural disasters, such as wildfires or earthquakes; and
  - changes dates for the 2026 session.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on January 1, 2027.

**Staff Summary of Public Testimony:**

(In support) This bill offers the ability to provide affordable housing to low- and moderate-income households. It will help provide housing units quickly. The bill creates a local option incentive for nonprofit and for-profit developers to build desperately needed housing. Oftentimes private developers are not eligible for state grant programs, but this bill provides an incentive for all developers. Housing construction costs are rising and a sales and use tax remittance helps offset the costs for developers operating on thin construction profit margins. This bill helps alleviate uncertainty around the availability of federal funding. This bill is fiscally responsible.

(Opposed) None.

(Other) Speaking to the introduced version of the bill, it is important to note that flexibility

for local governments should be included in the bill.

**Persons Testifying:** (In support) Representative Mari Leavitt, prime sponsor; Ryan Donohue, Habitat for Humanity Seattle-King and Kittitas Counties; Alyssa Torrez, South Sound Housing Affordability Partners; Ben Stuckart, Spokane Low Income Housing Consortium; Emani Donaldson, Tacoma Pierce County Habitat for Humanity; Carl Schroeder, Association of Washington Cities; Curtis Steinhauer, Washington State Association of Counties; and Beau Baker, Southport Financial Services.

(Other) Jordan Boege, Clark County Council.

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