

HOUSE BILL REPORT

E2SSB 6027

As Reported by House Committee On:
Finance

Title: An act relating to modifying certain funding and exemptions related to providing and maintaining affordable housing and related services.

Brief Description: Modifying certain funding and exemptions related to providing and maintaining affordable housing and related services.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Alvarado, Robinson, Bateman, Conway, Frame and Nobles).

Brief History:

Committee Activity:

Finance: 2/26/26, 3/2/26 [DPA].

**Brief Summary of Engrossed Second Substitute Bill
(As Amended by Committee)**

- Expands the allowable uses for certain local sales and use taxes collected for housing and related services and for affordable and supportive housing.
- Makes changes to the requirements and eligible uses of funding in the Affordable Housing for All Account.
- Updates the definition of emergency housing for the purpose of property tax exemptions for nonprofit organizations providing emergency or transitional housing for low-income persons or victims of domestic violence who are homeless.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 10 members: Representatives Berg,

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.

Chair; Street, Vice Chair; Mena, Ramel, Santos, Scott, Springer, Walen, Wylie and Zahn.

Minority Report: Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Abell, Chase and Penner.

Minority Report: Without recommendation. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

Staff: Rachelle Harris (786-7137).

Background:

Retail 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 user acquires the property, digital product, or service, then use tax applies to the value of the 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.

Local Sales and Use Tax for Housing and Related Services.

A city or county legislative authority may impose a 0.1 percent sales and use tax in order to fund housing and related services. The tax may be imposed by councilmanic action or by voter approval.

A minimum of 60 percent of revenue collected must be used:

- for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services;
- to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers; or
- to acquire affordable housing, facilities providing housing-related services, behavioral health-related facilities, or land for these purposes.

The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income: individuals with mental illness, veterans, senior citizens, homeless families with children, unaccompanied homeless youth, persons with disabilities, or domestic violence victims.

The remainder of the money collected must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Local Mental Health and Chemical Dependency Sales and Use Tax.

All counties and certain cities may impose, by councilmanic action, a mental health and chemical dependency sales and use tax up to 0.1 percent. A county that has not imposed the tax prior to October 9, 2015, but imposes the tax after a city in that county has imposed the tax must enter into an interlocal agreement with that city to determine how the services will be allocated and funded in the city.

Revenue from the tax must be used for expenses related to the operation or delivery of chemical dependency or mental health treatment programs or services, which include but are not limited to: therapeutic court programs, treatment services, case management, and transportation and housing that are components of a treatment program or service.

Local Sales and Use Tax for Affordable and Supportive Housing.

A city or a county 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.

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.

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

Affordable Housing for All Account.

The state and local affordable housing and homeless programs receive funding from a \$183 surcharge collected by each county auditor when certain documents are recorded. Of the \$183 surcharge, 13.1 percent is distributed to the Affordable Housing for All Account.

The Department of Commerce (Commerce) may use up to 10 percent for program administration and technical assistance. At least 90 percent must be used for:

- grants for building operations and maintenance costs of housing projects or units with housing projects in the state's Housing Trust Fund portfolio that are affordable to extremely low-income households and require a supplement to rent income to cover ongoing operating expenses; and
- grants to support the building operations, maintenance, and supportive services costs for permanent supportive housing projects, or units within housing projects, that have received public capital funding.

Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines

assessed value for each property and calculates property taxes. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property, or \$10 per \$1,000 of assessed valuation.

Property Tax Exemptions.

There are several exemptions from property tax. Some exemptions are available for housing-related properties such as property used by nonprofit organizations in providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless. The exemption applies if:

- the charge, if any, for the housing does not exceed the actual cost of operating and maintaining the housing; and
- the property is owned, rented, or leased by the nonprofit.

Emergency housing means a project that provides housing and supportive services to homeless persons or families for up to 60 days. Transitional housing means a project that provides housing and supportive services to homeless persons or families for up to two years and has, as its purpose, facilitating the movement of homeless persons and families to independent living.

Summary of Amended Bill:

Local Sales and Use Tax for Housing and Related Services.

Rehabilitation of existing affordable housing, including emergency, transitional, and supportive housing, is added to the allowable use of at least 60 percent of the funds raised from the local sales and use tax for housing and related services.

Affordable and supportive housing operation and maintenance is added to the allowable use of the remainder of funds raised from the local sales and use tax for housing and related services.

Rental assistance is added to the allowable use of the remainder of funds raised from the local sales and use tax for housing and related services.

A city or county may enter into an interlocal agreement with one or more counties, cities, or public housing authorities. The agreement may include, but is not limited to, pooling receipts from the sales and use tax for housing and related services, pledging taxes to bonds issued by one or more parties, and allocating the proceeds of the taxes levied or the bonds issued.

Local Mental Health and Chemical Dependency Sales and Use Tax.

A county that imposes the tax after a city in that county has imposed the tax must consult, rather than enter into an interlocal agreement, with that city to determine how the services

will be allocated and funded in the city.

Local Sales and Use Tax for Affordable and Supportive Housing.

Funding for operations and maintenance costs of existing units of affordable housing is added to the allowable uses for the local sales and use tax for affordable and supportive housing.

Affordable Housing for All Account.

The requirement that, in order to receive a grant from the Affordable Housing for All Account, a project requires a supplement to rent income to cover ongoing expenses is removed.

Eligible uses are added for grant funds to support the building, operations, maintenance, and supportive service costs for permanent supportive housing projects or units within those projects that have or will receive funding from the Housing Trust Fund or other public capital funding programs to include:

- resident services, such as programming, community events, and building activities; essential ancillary services necessary to assist program participants who are not covered or are partially covered by Medicaid or other health insurance to obtain and maintain housing;
- resident needs for basic living and well-being; and
- essential maintenance and upkeep, and essential case management and other resources with a demonstrable connection to resident well-being and housing stability.

When awarding grants, Commerce:

- may not impose a cap on administrative or overhead costs for grantees of less than 15 percent of the grant award;
- shall seek to promote continuity of operations and stability for existing projects; and
- must require grantees to maintain supporting documentation for all expenses above \$50; Commerce may not require the submission of supporting documentation before approving reimbursement requests except for cause or auditing purposes.

Property Tax Exemption.

The definition for emergency housing for the purpose of property tax exemptions for nonprofit organizations in providing emergency or transitional housing for low-income persons or victims of domestic violence who are homeless is updated to mean temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that are intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families.

Amended Bill Compared to Engrossed Second Substitute Bill:

The amended bill allows for all jurisdictions to use a portion of revenues from the local

sales and use tax for affordable housing and related services for rental assistance, rather than being limited to a specific county.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill will help counties address urgent funding needs for operations and maintenance for housing and supportive services. The addition of flexibility of fund use will be very helpful. Program closure and site closure will be prevented with this bill. Federal funding restrictions have hampered housing efforts.

(Opposed) None.

Persons Testifying: Joe McDermott, State Relations Director, King County; Michele Thomas, Washington Low Income Housing Alliance; Sarah Dickmeyer, Plymouth Housing Group; Councilmember Megan Dunn, Snohomish County; and Em Stone, Governor's Office.

Persons Signed In To Testify But Not Testifying: None.