

SENATE BILL REPORT

ESHB 1717

As of February 19, 2026

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: House Committee on Finance (originally sponsored by Representatives Leavitt, Low, Richards, Shavers, Walen, Parshley, Reed and Nance).

Brief History: Passed House: 2/11/26, 95-0.

Committee Activity: Ways & Means: 2/19/26.

Brief Summary of Bill

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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 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 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 from 0.5 percent to 4.1 percent, depending on the location.

Tax Deferrals for the Development of Affordable Housing. Developers of affordable housing or mixed-use affordable housing pay sales and use taxes on materials and labor required to construct them. There are sales and use tax deferral programs related to

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.

affordable housing, such as the deferral for underutilized commercial property created during the 2024 Legislative Session.

Tax Preference Performance Review and Expiration. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternative expiration date is not provided in the legislation.

Summary of Bill: Sales and Use Tax Remittance for Affordable Housing. The legislative authority of a city or county is authorized to adopt a resolution to create a local sales and use tax remittance program for the development of affordable housing by eligible organizations. Affordable housing means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income. For residential housing that is owned by a person or household, the household's monthly housing costs, which include mortgage principal, interest, property taxes, homeowner insurance, homeowner association fees, and land lease fees, may not exceed 38 percent of the household's monthly income. 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.

Appropriation: None.

Fiscal Note: Requested on January 12, 2026.

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

Effective Date: The bill takes effect on January 1, 2027

Staff Summary of Public Testimony: PRO: The remittance that is proposed in this bill would lower the cost of developing affordable housing. This bill allows non-profit builders to stretch state investments like the housing trust fund further. Tax remittance programs provide a clear path for private builders to take part in long-term affordability projects. The incentive in this bill is a flexible, locally driven solution to building more housing. This local option incentive has the ability to spur more affordable housing development by allowing participating jurisdiction to provide meaningful sales and use tax rebates. The bill

is a viable route to mixed-income, rental, and ownership opportunities, while also retaining long-term affordability requirements. Addressing the affordable housing crisis is a top priority for counties. The multifamily property tax exemption is an alternative tool, but it is more appropriate for a builder who wants to build and hold and less for builders that want to sell. Habitat for Humanity is one of those affordable housing developers that would utilize this tax rebate to build more affordable house units.

OTHER: The Legislature should listen to the veterans of this state and place Senate Bill 5398 on the calendar and provide veterans a pathway of true housing affordability.

Persons Testifying: PRO: Michone Preston, Habitat for Humanity of Washington State; Dustin Johnson, Anacortes Family Center; Mayor Ryan Walters, City of Anacortes; Blake Baldwin, Hayden Homes; Alyssa Torrez, South Sound Housing Affordability Partners; Curtis Steinhauer, Washington State Association of Counties; Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas Counties.

OTHER: Jameson Kaye.

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