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ENGROSSED SUBSTITUTE HOUSE BILL 1717

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State of Washington

69th Legislature

2026 Regular Session

By House Finance (originally sponsored by Representatives Leavitt, Low, Richards, Shavers, Walen, Parshley, Reed, and Nance)

READ FIRST TIME 02/03/26.

1 AN ACT Relating to a sales and use tax remittance program for  
2 affordable housing; adding a new chapter to Title 82 RCW; and  
3 providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The definitions in this section apply  
6 throughout this chapter unless the context clearly requires  
7 otherwise.

8 (1) "Affordable housing" means residential housing that is rented  
9 by a person or household whose monthly housing costs, including  
10 utilities other than telephone, do not exceed 30 percent of the  
11 household's monthly income. For residential housing that is owned by  
12 a person or household, the household's monthly housing costs, which  
13 include mortgage principal, interest, property taxes, homeowner  
14 insurance, homeowner association fees, and land lease fees, may not  
15 exceed 38 percent of the household's monthly income.

16 (2) "City" means any city or town.

17 (3) "County" means any county of the state.

18 (4) "Eligible organization" means nonprofit developers, for-  
19 profit developers, public housing authorities, public development  
20 authorities, or other applicants eligible under rules established by  
21 the Washington state housing finance commission.

1 (5) "Governing authority" means the local legislative authority  
2 of a city or county.

3 (6) (a) "Initiation of construction" means the date that a  
4 building permit is issued under the building code adopted under RCW  
5 19.27.031 for construction of the qualified building, if the  
6 underlying ownership of the building vests exclusively with the  
7 person receiving the economic benefit of the exemption.

8 (b) "Initiation of construction" does not include soil testing,  
9 site clearing and grading, site preparation, or any other related  
10 activities that are initiated before the issuance of a building  
11 permit of the construction of the foundation of a building.

12 (c) If the qualifying project is a phased project, "initiation of  
13 construction" applies separately to each phase.

14 (7) "Low-income household" means a single person, family, or  
15 unrelated persons living together whose adjusted income is at or  
16 below 80 percent of the median family income adjusted for family  
17 size, for the county, city, or metropolitan statistical area, where  
18 the property is located, as reported by the United States department  
19 of housing and urban development.

20 (8) "Moderate-income household" means a single person, family, or  
21 unrelated persons living together whose adjusted income is more than  
22 80 percent but is at or below 120 percent of the median family income  
23 adjusted for family size, for the county, city, or metropolitan  
24 statistical area, where the project is located, as reported by the  
25 United States department of housing and urban development.

26 (9) "Nonprofit developer" means:

27 (a) A nonprofit defined in RCW 84.36.800 that is exempt from  
28 income tax under section 501(c)(3) of the federal internal revenue  
29 code;

30 (b) A limited partnership or limited liability company,  
31 consisting of any of the following:

32 (i) A nonprofit defined in RCW 84.36.800 that is exempt from  
33 income tax under section 501(c)(3) of the federal internal revenue  
34 code;

35 (ii) A public corporation established under RCW 35.21.660,  
36 35.21.670, or 35.21.730;

37 (iii) A housing authority created under RCW 35.82.030 or  
38 35.82.300; and

39 (iv) A housing authority that meets the qualifications in RCW  
40 35.82.210(2)(a) and is a managing member.

1 (c) A mobile home park cooperative or a manufactured housing  
2 cooperative as defined in RCW 59.20.030.

3 (10) "Owner" means the property owner of record.

4 (11) "Qualifying project" means an affordable housing or mixed-  
5 use affordable housing development with a minimum of 50 percent of  
6 residential units dedicated to housing for low or moderate-income  
7 households and those units that are affordable to such households for  
8 a minimum of 40 years. "Qualifying project" includes related  
9 facilities such as playgrounds, sidewalks, and project-related  
10 infrastructure improvements, as well as facilities used for  
11 commercial use for mixed-use development.

12 NEW SECTION. **Sec. 2.** (1) For the purpose of creating a local  
13 sales and use tax remittance program for the development of  
14 affordable housing under this chapter, the governing authority may  
15 adopt a resolution of intention to create the remittance program  
16 generally described in the resolution. The resolution must state the  
17 time and place of a hearing to be held by the governing authority to  
18 consider the creation of the tax remittance program and may include  
19 such other as the governing authority deems appropriate to apprise  
20 the public of the action intended. However, the resolution must  
21 provide information pertaining to:

22 (a) The application process;

23 (b) The approval process;

24 (c) The appeals process for applications denied approval; and

25 (d) Additional requirements, conditions, and obligations that  
26 must be followed after the approval of an application.

27 (2) The governing authority must give notice of a hearing held  
28 under this chapter by publication of the notice once each week for  
29 two consecutive weeks, not less than seven days, nor more than 30  
30 days, before the date of the hearing in a paper having a general  
31 circulation in the city or county. The notice must state the time,  
32 date, place, and purpose of the hearing.

33 (3) Following the hearing or a continuance of the hearing, the  
34 governing authority may authorize the creation of the program.

35 (4) A county may not adopt the remittance program authorized  
36 under this section within the limits of a city that adopts such a  
37 program.

1 (5) The remittance authorized under this chapter applies to taxes  
2 imposed by the city or county that has adopted a resolution as  
3 provided in subsection (1) of this section.

4 NEW SECTION. **Sec. 3.** An eligible organization seeking a local  
5 sales and use tax remittance for a qualifying project under this  
6 chapter must complete the following procedures:

7 (1) The eligible organization must apply to the city or county on  
8 forms adopted by the governing authority. The application must  
9 contain the following:

10 (a) Information setting forth the grounds supporting the  
11 requested exemption including information indicated on the  
12 application form or in the guidelines;

13 (b) A description of the qualifying project and site plan, and  
14 other information requested;

15 (c) A statement of the expected total number of housing units and  
16 affordable housing units to be created;

17 (d) A statement that the applicant is aware of the potential tax  
18 liability involved if the qualifying project ceases to be used for  
19 eligible uses under this chapter;

20 (e) A statement that the applicant is aware the qualifying  
21 project must be completed within three years from the date of  
22 approval of the application; and

23 (f) A statement that the applicant is aware that the governing  
24 authority of the city or county or an official duly authorized by the  
25 governing authority may extend the deadline for completion of  
26 construction for a period not to exceed 24 consecutive months;

27 (2) The applicant must verify the application by oath or  
28 affirmation; and

29 (3) The application must be accompanied by the application fee,  
30 if any, required under this chapter. The duly authorized  
31 administrative official or committee of the city or county may permit  
32 the applicant to revise an application before final action by the  
33 duly authorized administrative official or committee of the city or  
34 county.

35 NEW SECTION. **Sec. 4.** The duly authorized administrative  
36 official or committee of the city or county may approve the  
37 application and grant a conditional certificate for program approval  
38 if it finds that:

1 (1) The qualifying project is set aside primarily for affordable  
2 housing or mixed-use affordable housing development and the applicant  
3 commits to renting or selling at least 50 percent of the residential  
4 units to low and moderate-income households for a minimum of 40  
5 years;

6 (2) The applicant commits to any additional affordability  
7 conditions adopted by the local government under this chapter not  
8 otherwise inconsistent with this chapter;

9 (3) The qualifying project is, or will be, at the time of  
10 completion, in conformance with all local plans and regulations that  
11 apply at the time the application is approved;

12 (4) The area where the qualifying project will occur is located  
13 within an area zoned for residential or mixed uses;

14 (5) The terms and conditions of the implementation of the  
15 qualifying project meets the requirements of this chapter and any  
16 requirements of the city or county that are not otherwise  
17 inconsistent with this chapter; and

18 (6) All other requirements of this chapter have been satisfied as  
19 well as any other requirements of the city or county that are not  
20 otherwise inconsistent with this chapter.

21 NEW SECTION. **Sec. 5.** (1) The duly authorized administrative  
22 official or committee of the city or county must rule on an  
23 application filed under this chapter within 90 days after receipt of  
24 the application.

25 (2) If the application is approved, the city or county must issue  
26 the applicant a conditional certificate of program approval. The  
27 certificate must contain a statement by a duly authorized  
28 administrative official of the governing authority that the  
29 qualifying project as described in the application will comply with  
30 the required criteria of this chapter.

31 (3) If the application is denied by the city or county, the city  
32 or county must state in writing the reasons for denial and send the  
33 notice to the applicant at the applicant's last known address.

34 (4) Upon denial by the city or county, an applicant may appeal  
35 the denial to the city's or county's governing authority, or a city  
36 or county official designated by the city or county to hear such  
37 appeals, within 30 days after receipt of the denial. The appeal  
38 before the city's or county's governing authority or designated city  
39 or county official must be based upon the record made before the city

1 or county with the burden of proof on the applicant to show that  
2 there was no substantial evidence to support the city's or county's  
3 decision. The decision of the city or county on the appeal is final.

4 NEW SECTION. **Sec. 6.** The governing authority may establish an  
5 application fee. This fee may not exceed an amount required to cover  
6 the cost to be incurred by the governing authority in administering  
7 the program under this chapter. The application fee must be paid at  
8 the time the application for program approval is filed.

9 NEW SECTION. **Sec. 7.** (1) Within 30 days of the issuance of a  
10 certificate of occupancy for a qualifying project, the eligible  
11 organization must file with the governing authority the following:

12 (a) A description of the work that has been completed and a  
13 statement that the qualifying project qualifies the property for a  
14 local sales and use tax remittance under this chapter;

15 (b) A statement of the new affordable housing to be offered; and

16 (c) A statement that the work has been completed within three  
17 years of the issuance of the conditional certificate of program  
18 approval.

19 (2) Within 30 days after receipt of the statements required under  
20 subsection (1) of this section, the governing authority must  
21 determine and notify the eligible organization as to whether the work  
22 completed and the affordable housing to be offered are consistent  
23 with the application and the contract approved by the governing  
24 authority, and the project qualifies for a remittance under this  
25 chapter.

26 (3) The governing authority must issue a certificate of  
27 completion of the qualifying project to the eligible organization if  
28 the project has complied with the required criteria of this chapter.

29 (4) The governing authority must notify the eligible organization  
30 within 30 days that a project does not qualify for a remittance under  
31 this chapter if it determines that:

32 (a) The work was not completed within three years of the  
33 application date;

34 (b) The work was not constructed consistent with the application  
35 or other applicable requirements;

36 (c) The affordable housing units to be offered are not consistent  
37 with the application and criteria of this chapter; or

1 (d) The owner's property is otherwise not qualified for a  
2 remittance under this chapter.

3 (5) If the governing authority finds that the work was not  
4 completed within the required time period due to circumstances beyond  
5 the control of the eligible organization and that the eligible  
6 organization has been acting and could reasonably be expected to act  
7 in good faith and with due diligence, the governing authority may  
8 extend the deadline for completion of the work for a period not to  
9 exceed 24 consecutive months.

10 (6) The governing authority may enact an ordinance to provide a  
11 process for an eligible organization to appeal a decision by the  
12 governing authority that the eligible organization is not entitled to  
13 a remittance of sales and use taxes. The eligible organization may  
14 appeal a decision by the governing authority to deny a remittance of  
15 sales and use taxes in superior court under  
16 RCW 34.05.510 through 34.05.598, if the appeal is filed within 30  
17 days of notification by the governing authority to the eligible  
18 organization.

19 NEW SECTION. **Sec. 8.** (1) Subject to the requirements of this  
20 section, the tax levied by RCW 82.14.030 does not apply to sales of  
21 materials incorporated into, and labor and services rendered in  
22 respect to, a qualifying project. An eligible organization claiming a  
23 remittance under this section must pay the state and local sales and  
24 use tax on such sales and apply to the duly authorized administrative  
25 official or committee of the city or county for a remittance of the  
26 local tax paid.

27 (2) Beginning January 1, 2027, the exemption under this section  
28 is for taxes collected on a qualifying project under the program  
29 established in section 2 of this act. The remittance is equal to 100  
30 percent of local sales and use taxes paid and must be remitted to the  
31 eligible organization. The remittance of local sales and use taxes is  
32 limited to taxes imposed by the city or county that has authorized  
33 the remittance program under section 2 of this act.

34 (3) To receive a remittance under this section, the eligible  
35 organization must submit the following to the duly authorized  
36 administrative official or committee of the city or county:

37 (a) A remittance application in a form and manner as required by  
38 the city or county;

1 (b) A certificate of occupancy from the permitting authority of  
2 the city or county where the project is located;

3 (c) A certificate of completion from the city or county affirming  
4 that the project meets the requirements of section 4 of this act;

5 (d) An information sheet, in a form and manner as required by the  
6 city or county, specifying the amount of exempted tax claimed and the  
7 qualifying purchases or acquisitions for which the remittance is  
8 claimed; and

9 (e) Any other documentation supporting the remittance  
10 application.

11 (4) An eligible organization may not apply for more than one  
12 remittance in a calendar quarter for the same qualifying project.

13 (5) The city or county must rule on the application within 90  
14 days, except that the city or county may extend the time of  
15 processing such application upon notice to the eligible organization  
16 that ruling on the application cannot be completed within such time.

17 (6) This section applies to eligible organizations receiving a  
18 certificate of completion on or before December 31, 2036.

19 (7) The definitions in section 1 of this act apply to this  
20 section.

21 NEW SECTION. **Sec. 9.** (1) Thirty days after the anniversary of  
22 the date of issuance of the certificate of occupancy and each year  
23 thereafter for 40 years, the eligible organization must file with a  
24 designated authorized representative of the city or county an annual  
25 report indicating the following:

26 (a) A statement of the affordable housing units constructed on  
27 the property as of the anniversary date;

28 (b) A certification by the eligible organization that the  
29 property has not changed use; and

30 (c) Any additional information requested by the city or county.

31 (2) If the governing authority finds that a failure to meet the  
32 requirements in this section is due to circumstances beyond the  
33 control of the eligible organization, including natural disasters  
34 such as wildfires or earthquakes, the governing authority may provide  
35 exceptions or extensions to the requirements of this section.

36 NEW SECTION. **Sec. 10.** (1) The taxes exempted under this chapter  
37 are immediately due and payable if a city or county finds that a  
38 portion of a qualifying project is changed or will be changed to

1 disqualify the recipient for remittance eligibility under this  
2 chapter.

3 (2) The city or county must assess interest as authorized by  
4 chapter 19.52 RCW, but not penalties, retroactively to the date of  
5 remittance. A debt for remitted taxes is not extinguished by  
6 insolvency or other failure of the recipient.

7 (3) This section does not apply after 40 years from the date of  
8 the certificate of completion.

9 NEW SECTION. **Sec. 11.** (1) Transfer of qualifying project  
10 ownership does not terminate the exemption. The exemption is subject  
11 to the successor meeting the eligibility requirements under this  
12 chapter.

13 (2) The transferor of a qualifying project must notify the  
14 governing authority of such transfer. The governing authority must  
15 certify that the successor meets the requirements of the exemption.  
16 The transferor must provide the information necessary for the  
17 governing authority to transfer the exemption. If the transferor  
18 fails to notify the city or county, all exempted sales and use taxes  
19 are immediately due and payable. The city or county must assess  
20 interest as authorized by chapter 19.52 RCW, but not penalties,  
21 retroactively to the date of exemption.

22 NEW SECTION. **Sec. 12.** Sections 1 through 11 of this act  
23 constitute a new chapter in Title 82 RCW.

24 NEW SECTION. **Sec. 13.** This act takes effect January 1, 2027.

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