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**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.

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

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

14 (4) "Eligible organization" means nonprofit developers, for-  
15 profit developers, public housing authorities, public development  
16 authorities, or other applicants eligible under rules established by  
17 the Washington state housing finance commission.

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

20 (6) (a) "Initiation of construction" means the date that a  
21 building permit is issued under the building code adopted under RCW

1 19.27.031 for construction of the qualified building, if the  
2 underlying ownership of the building vests exclusively with the  
3 person receiving the economic benefit of the exemption.

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

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

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

16 (8) "Moderate-income household" means a single person, family, or  
17 unrelated persons living together whose adjusted income is more than  
18 80 percent but is at or below 120 percent of the median family income  
19 adjusted for family size, for the county, city, or metropolitan  
20 statistical area, where the project is located, as reported by the  
21 United States department of housing and urban development.

22 (9) "Nonprofit developer" means:

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

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

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

31 (ii) A public corporation established under RCW 35.21.660,  
32 35.21.670, or 35.21.730;

33 (iii) A housing authority created under RCW 35.82.030 or  
34 35.82.300; and

35 (iv) A housing authority that meets the qualifications in RCW  
36 35.82.210(2)(a) and is a managing member.

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

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

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

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

- 19 (a) The application process;  
20 (b) The approval process;  
21 (c) The appeals process for applications denied approval; and  
22 (d) Additional requirements, conditions, and obligations that  
23 must be followed after the approval of an application.

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

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

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

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

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

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

7            (a) Information setting forth the grounds supporting the  
8 requested exemption including information indicated on the  
9 application form or in the guidelines;

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

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

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

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

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

24        (2) The applicant must verify the application by oath or  
25 affirmation; and

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

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

36        (1) The qualifying project is set aside primarily for affordable  
37 housing or mixed-use affordable housing development and the applicant  
38 commits to renting or selling at least 50 percent of the residential

1 units to low and moderate-income households for a minimum of 40  
2 years;

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

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

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

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

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

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

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

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

31 (4) Upon denial by the city or county, an applicant may appeal  
32 the denial to the city's or county's governing authority, or a city  
33 or county official designated by the city or county to hear such  
34 appeals, within 30 days after receipt of the denial. The appeal  
35 before the city's or county's governing authority or designated city  
36 or county official must be based upon the record made before the city  
37 or county with the burden of proof on the applicant to show that  
38 there was no substantial evidence to support the city's or county's  
39 decision. The decision of the city or county on the appeal is final.

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

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

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

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

13            (c) A statement that the work has been completed within three  
14 years of the issuance of the conditional certificate of program  
15 approval.

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

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

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

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

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

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

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

37            (5) If the governing authority finds that the work was not  
38 completed within the required time period due to circumstances beyond  
39 the control of the eligible organization and that the eligible

1 organization has been acting and could reasonably be expected to act  
2 in good faith and with due diligence, the governing authority may  
3 extend the deadline for completion of the work for a period not to  
4 exceed 24 consecutive months.

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

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

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

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

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

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

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

38 (d) An information sheet, in a form and manner as required by the  
39 city or county, specifying the amount of exempted tax claimed and the

1 qualifying purchases or acquisitions for which the remittance is  
2 claimed; and

3 (e) Any other documentation supporting the remittance  
4 application.

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

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

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

13 (7) The definitions in section 1 of this act apply to this  
14 section.

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

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

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

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

25 (2) If the governing authority finds that a failure to meet the  
26 requirements in this section is due to circumstances beyond the  
27 control of the eligible organization, including natural disasters  
28 such as wildfires or earthquakes, the governing authority may provide  
29 exceptions or extensions to the requirements of this section.

30 NEW SECTION. **Sec. 10.** (1) The taxes exempted under this chapter  
31 are immediately due and payable if a city or county finds that a  
32 portion of a qualifying project is changed or will be changed to  
33 disqualify the recipient for remittance eligibility under this  
34 chapter.

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

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

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

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

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

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

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