
SUBSTITUTE HOUSE BILL 2650

State of Washington

69th Legislature

2026 Regular Session

By House Finance (originally sponsored by Representative Parshley; by request of Department of Revenue)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to notifications and effective dates for
2 department of revenue administration of certain excise taxes;
3 amending RCW 82.92.050, 82.92.070, 82.92.090, and 82.46.080; and
4 adding a new section to chapter 82.32 RCW.

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

6 **PART I**

7 **THE TARGETED UNDERDEVELOPED URBAN AREAS DEFERRAL**

8 **Sec. 1.** RCW 82.92.050 and 2022 c 241 s 7 are each amended to
9 read as follows:

10 (1) (~~The~~) Only the duly authorized administrative official or
11 committee of the city (~~must~~) may approve or deny an application for
12 a conditional certificate of program approval filed under this
13 chapter. The approval or denial must be made within 90 days after
14 receipt of the application.

15 (2) If the application is approved, the city must issue the
16 applicant a conditional certificate of program approval. The
17 certificate must contain a statement by a duly authorized
18 administrative official of the governing authority that the
19 investment project as described in the application will comply with
20 the required criteria of this chapter.

1 (3) If the application is denied by the city, the city must state
2 in writing the reasons for denial and send the notice to the
3 applicant at the applicant's last known address within 10 days of the
4 denial.

5 (4) Upon denial by the city, an applicant may appeal the denial
6 to the city's governing authority or a city official designated by
7 the city to hear such appeals within 30 days after receipt of the
8 denial. The appeal before the city's governing authority or
9 designated city official must be based upon the record made before
10 the city with the burden of proof on the applicant to show that there
11 was no substantial evidence to support the city's decision. The
12 decision of the city on the appeal is final.

13 **Sec. 2.** RCW 82.92.070 and 2022 c 241 s 9 are each amended to
14 read as follows:

15 (1) Within 30 days of the issuance of a certificate of occupancy
16 for an eligible investment project, the conditional recipient must
17 file with the city the following:

18 (a) A description of the work that has been completed and a
19 statement that the eligible investment project qualifies the property
20 for a sales and use tax deferral under this chapter;

21 (b) A statement of the new affordable housing to be offered as a
22 result of the new construction; and

23 (c) A statement that the work has been completed within three
24 years of the issuance of the conditional certificate of program
25 approval.

26 (2) Within 30 days after receipt of the statements required under
27 subsection (1) of this section, the city must determine and notify
28 the conditional recipient as to whether the work completed and the
29 affordable housing to be offered are consistent with the application
30 and the contract approved by the city, and the investment project
31 continues to qualify for a tax deferral under this chapter. The
32 conditional recipient must (~~notify~~) provide the department with a
33 copy of the city's determination within 30 days from receiving the
34 city's determination to schedule an audit of the deferred taxes. The
35 department must determine the amount of sales and use taxes
36 qualifying for the deferral. If the department determines that
37 purchases were not eligible for deferral it must assess interest, but
38 not penalties, on the nonqualifying amounts.

1 (3) The city must notify the conditional recipient within 30 days
2 that a tax deferral under this chapter is denied if the city
3 determines that:

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

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

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

10 (d) The owner's property is otherwise not qualified for a sales
11 and use tax deferral under this chapter.

12 (4) If the city finds that the work was not completed within the
13 required time period due to circumstances beyond the control of the
14 conditional recipient and that the conditional recipient has been
15 acting and could reasonably be expected to act in good faith and with
16 due diligence, the governing authority may extend the deadline for
17 completion of the work for a period not to exceed 24 consecutive
18 months.

19 (5) The city's governing authority may enact an ordinance to
20 provide a process for a conditional recipient to appeal a decision by
21 the city that the conditional recipient is not entitled to a deferral
22 of sales and use taxes. The conditional recipient may appeal a
23 decision by the city to deny a deferral of sales and use taxes in
24 superior court under RCW 34.05.510 through 34.05.598, if the appeal
25 is filed within 30 days of notification by the city to the
26 conditional recipient.

27 (6) A city denying a conditional recipient of a sales and use tax
28 deferral under subsection (3) of this section must notify the
29 department and taxes deferred under this chapter are immediately due
30 and payable, subject to any appeal by the conditional recipient. The
31 department must assess interest at the rate provided for delinquent
32 taxes and penalties retroactively to the date of deferral. A debt for
33 deferred taxes will not be extinguished by insolvency or other
34 failure of the recipient.

35 **Sec. 3.** RCW 82.92.090 and 2022 c 241 s 11 are each amended to
36 read as follows:

37 (1) A (~~conditional~~) recipient of a conditional certificate of
38 program approval issued by the city must submit an application for a
39 sales and use tax deferral certificate to the department before

1 initiation of the construction of the investment project. In the case
2 of an investment project involving multiple qualified buildings,
3 applications must be made for, and before the initiation of
4 construction of, each qualified building. The application must be
5 made to the department in a form and manner prescribed by the
6 department. The application must include a copy of the conditional
7 certificate of program approval issued by the city detailing
8 specifics of the investment project conditionally approved and
9 clarifying any portions of the project not approved for a tax
10 deferral, estimated construction costs, time schedules for completion
11 and operation, and any other information required by the department.
12 The department must ~~((rule—on))~~ review the application for
13 completeness and provide a tax deferral certificate within 60 days of
14 receiving a complete application.

15 (2) The department must provide information to the conditional
16 recipient regarding documentation that must be retained by the
17 conditional recipient in order to substantiate the amount of sales
18 and use tax actually deferred under this chapter.

19 (3) The department may not accept applications for the deferral
20 under this chapter after June 30, 2032.

21 (4) The application must include a waiver by the conditional
22 recipient of the four-year limitation under RCW 82.32.100.

23 (5) This section expires July 1, 2032.

24 **PART II**
25 **LOCAL REAL ESTATE EXCISE TAX CHANGES**

26 **Sec. 4.** RCW 82.46.080 and 1998 c 106 s 10 are each amended to
27 read as follows:

28 ~~((A county, city, or town that imposes an excise tax under this~~
29 ~~chapter must provide the county treasurer with a copy of the~~
30 ~~ordinance or other action initially authorizing the tax or altering~~
31 ~~the rate of the tax that is imposed at least sixty days before change~~
32 ~~becomes effective.)) (1) A local real estate excise tax change may
33 take effect (a) no sooner than 60 days after the department is
34 notified in writing of the tax change and (b) only on the first day
35 of January, April, July, or October.~~

36 (2) A county or city making a real estate excise tax change must
37 notify the department and the county treasurer in writing of the tax
38 change and provide a copy of the signed ordinance, resolution, or

1 other action authorizing the tax change. If the tax change results
2 from an annexation, the written notification must also include a copy
3 of the complete ordinance containing a legal description, a map
4 specifying the boundaries of the annexed territory, and a list of all
5 included parcel numbers in the annexed territory.

6 (3) For purposes of this section, "tax change" means enactment or
7 revision of local real estate excise taxes under this chapter or any
8 other statute, including changes resulting from referendum or
9 annexation.

10 **PART III**

11 **LODGING TAX CHANGES**

12 NEW SECTION. Sec. 5. A new section is added to chapter 82.32
13 RCW to read as follows:

14 (1) Except as provided in subsection (2) of this section, a
15 lodging tax change must take effect only on the first day of January,
16 April, or July, and may take effect no sooner than 75 days after the
17 department is notified in writing of the tax change.

18 (2) If a lodging tax is credited against the amount of sales tax
19 due to the state under chapter 82.08 RCW on the same sale of lodging,
20 a change to that lodging tax must take effect only on the first day
21 of a month that is no sooner than 30 days after the department is
22 notified in writing of the change.

23 (3) A city, county, public facility district, or other authorized
24 taxing authority making a lodging tax change must notify the
25 department in writing of the tax change and provide a copy of the
26 signed ordinance, resolution, or other action authorizing the tax
27 change. If the lodging tax change results from an annexation, the
28 written notification must also include a copy of the complete
29 ordinance containing a legal description, a map specifying the
30 boundaries of the annexed territory, and a list of all included
31 parcel numbers in the annexed territory.

32 (4) For purposes of this section, "lodging tax change" means
33 enactment or revision of a tax or charge on the furnishing of lodging
34 under chapter 36.100, 35.101, or 67.28 RCW, or any other statute,
35 including changes resulting from referendum or annexation.

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