
HOUSE BILL 2650

State of Washington

69th Legislature

2026 Regular Session

By Representative Parshley; by request of Department of Revenue

Read first time 01/23/26. Referred to Committee on Finance.

1 AN ACT Relating to notifications and effective dates for
2 department of revenue administration of certain excise taxes;
3 amending RCW 82.92.010, 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 82.92.010 and 2022 c 241 s 3 are each amended to
9 read as follows:

10 The definitions in this section apply throughout this chapter
11 unless the context clearly requires otherwise.

12 (1) "Affordable homeownership housing" means housing intended for
13 owner occupancy to low or moderate-income households whose monthly
14 housing costs, including utilities other than telephone, do not
15 exceed 30 percent of the household's monthly income.

16 (2) "Affordable rental housing" means housing for very low or
17 low-income households whose monthly housing costs, including
18 utilities other than telephone, do not exceed 30 percent of the
19 household's monthly income.

20 (3) "Applicant" means an owner of underdeveloped property.

1 (4) "City" means a city with a population of at least 135,000 and
2 not more than 250,000 at the time the city initially establishes the
3 program under this section.

4 (5) "Conditional recipient" means an owner of underdeveloped land
5 granted a conditional certificate of program approval under this
6 chapter, which includes any successor owner of the property.

7 (6) "County median price" means the most recently published
8 quarterly data of median home prices by the Washington center for
9 real estate research.

10 (7) "Eligible investment project" means an investment project
11 that is located in a city and receiving a conditional certificate of
12 program approval.

13 (8) "Fair market rent" means the estimates of 40th percentile
14 gross rents for standard quality units within counties as published
15 by the (~~federal~~) United States department of housing and urban
16 development.

17 (9) "Governing authority" means the local legislative authority
18 of a city having jurisdiction over the property for which a deferral
19 may be granted under this chapter.

20 (10) "Household" means a single person, family, or unrelated
21 persons living together.

22 (11)(a) "Initiation of construction" means the date that a
23 building permit is issued under the building code adopted under RCW
24 19.27.031 for construction of the qualified building, if the
25 underlying ownership of the building vests exclusively with the
26 person receiving the economic benefit of the deferral.

27 (b) "Initiation of construction" does not include soil testing,
28 site clearing and grading, site preparation, or any other related
29 activities that are initiated before the issuance of a building
30 permit for the construction of the foundation of the building.

31 (c) If the investment project is a phased project, "initiation of
32 construction" applies separately to each phase.

33 (12) "Investment project" means an investment in multifamily
34 housing, including labor, services, and materials incorporated in the
35 planning, installation, and construction of the project. "Investment
36 project" includes investment in related facilities such as
37 playgrounds and sidewalks as well as facilities used for business use
38 for mixed-use development.

39 (13) "Low-income household" means a single person, family, or
40 unrelated persons living together whose adjusted income is more than

1 50 percent but is at or below 80 percent of the median family income
2 adjusted for family size, for the county, city, or metropolitan
3 statistical area, where the project is located, as reported by the
4 United States department of housing and urban development.

5 (14) "Moderate-income household" means a single person, family,
6 or unrelated persons living together whose adjusted income is more
7 than 80 percent but is at or below 115 percent of the median family
8 income adjusted for family size, for the county, city, or
9 metropolitan statistical area, where the project is located, as
10 reported by the United States department of housing and urban
11 development.

12 (15) "Multifamily housing" means a building or a group of
13 buildings having two or more dwelling units not designed or used as
14 transient accommodations and not including hotels and motels.
15 Multifamily units may result from new construction or rehabilitation
16 or conversion of vacant, underutilized, or substandard buildings to
17 multifamily housing.

18 (16) "Owner" means the property owner of record.

19 (17) "Underdeveloped property" means land used as a surface
20 parking lot for parking of motor vehicles off the street or highway,
21 that is open to public use with or without charge(~~(, as of June 9,~~
22 ~~2022))~~).

23 (18) "Very low-income household" means a single person, family,
24 or unrelated persons living together whose adjusted income is at or
25 below 50 percent of the median family income adjusted for family
26 size, for the county, city, or metropolitan statistical area, where
27 the project is located, as reported by the United States department
28 of housing and urban development.

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

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

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

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

1 (c) A statement that the work has been completed within three
2 years of the issuance of the conditional certificate of program
3 approval.

4 (2) Within 30 days after receipt of the statements required under
5 subsection (1) of this section, the city must determine and notify
6 the conditional recipient as to whether the work completed and the
7 affordable housing to be offered are consistent with the application
8 and the contract approved by the city, and the investment project
9 continues to qualify for a tax deferral under this chapter. The
10 conditional recipient must (~~notify~~) provide the department with a
11 copy of the city's determination within 30 days from receiving the
12 city's determination to schedule an audit of the deferred taxes. The
13 department must determine the amount of sales and use taxes
14 qualifying for the deferral. If the department determines that
15 purchases were not eligible for deferral it must assess interest, but
16 not penalties, on the nonqualifying amounts.

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

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

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

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

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

28 (4) If the city finds that the work was not completed within the
29 required time period due to circumstances beyond the control of the
30 conditional recipient and that the conditional recipient has been
31 acting and could reasonably be expected to act in good faith and with
32 due diligence, the governing authority may extend the deadline for
33 completion of the work for a period not to exceed 24 consecutive
34 months.

35 (5) The city's governing authority may enact an ordinance to
36 provide a process for a conditional recipient to appeal a decision by
37 the city that the conditional recipient is not entitled to a deferral
38 of sales and use taxes. The conditional recipient may appeal a
39 decision by the city to deny a deferral of sales and use taxes in
40 superior court under RCW 34.05.510 through 34.05.598, if the appeal

1 is filed within 30 days of notification by the city to the
2 conditional recipient.

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

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

13 (1) A (~~conditional~~) recipient of a conditional certificate of
14 program approval issued by the city must submit an application for a
15 sales and use tax deferral certificate to the department before
16 initiation of the construction of the investment project. In the case
17 of an investment project involving multiple qualified buildings,
18 applications must be made for, and before the initiation of
19 construction of, each qualified building. The application must be
20 made to the department in a form and manner prescribed by the
21 department. The application must include a copy of the conditional
22 certificate of program approval issued by the city detailing
23 specifics of the investment project conditionally approved and
24 clarifying any portions of the project not approved for a tax
25 deferral, estimated construction costs, time schedules for completion
26 and operation, and any other information required by the department.
27 The department must (~~rule on~~) review the application for
28 completeness and provide a tax deferral certificate within 60 days of
29 receiving a complete application.

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

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

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

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

1 **PART II**

2 **LOCAL REAL ESTATE EXCISE TAX CHANGES**

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

5 ~~((A county, city, or town that imposes an excise tax under this
6 chapter must provide the county treasurer with a copy of the
7 ordinance or other action initially authorizing the tax or altering
8 the rate of the tax that is imposed at least sixty days before change
9 becomes effective.))~~ (1) A local real estate excise tax change may

10 take effect (a) no sooner than 75 days after the department is
11 notified in writing of the tax change and (b) only on the first day
12 of January, April, or July.

13 (2) A county or city making a real estate excise tax change must
14 notify the department and the county treasurer in writing of the tax
15 change and provide a copy of the signed ordinance, resolution, or
16 other action authorizing the tax change. If the tax change results
17 from an annexation, the written notification must also include a copy
18 of the complete ordinance containing a legal description, a map
19 specifying the boundaries of the annexed territory, and a list of all
20 included parcel numbers in the annexed territory.

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

25 **PART III**

26 **LODGING TAX CHANGES**

27 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.32
28 RCW to read as follows:

29 (1) A lodging tax change may take effect (a) no sooner than 75
30 days after the department is notified in writing of the tax change
31 and (b) only on the first day of January, April, or July.

32 (2) A city, county, public facility district, or other authorized
33 taxing authority making a lodging tax change must notify the
34 department in writing of the tax change and provide a copy of the
35 signed ordinance, resolution, or other action authorizing the tax
36 change. If the lodging tax change results from an annexation, the
37 written notification must also include a copy of the complete

1 ordinance containing a legal description, a map specifying the
2 boundaries of the annexed territory, and a list of all included
3 parcel numbers in the annexed territory.

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

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