
SENATE BILL 5591

State of Washington **69th Legislature** **2025 Regular Session**

By Senators Bateman, Alvarado, Lovelett, Nobles, and Trudeau

Read first time 01/30/25. Referred to Committee on Housing.

1 AN ACT Relating to a sales and use tax remittance program for
2 affordable housing; adding a new section to chapter 82.08 RCW; adding
3 a new section to chapter 82.12 RCW; adding a new chapter to Title 82
4 RCW; creating a new section; providing an effective date; and
5 providing an expiration date.

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

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

10 (1) "Affordable housing" means:

11 (a) Homeownership housing intended for owner occupancy by low-
12 income households whose monthly housing costs, including utilities
13 other than telephone, do not exceed 38 percent of the household's
14 monthly income; and

15 (b) Rental housing for low-income households whose monthly
16 housing costs, including utilities other than telephone, do not
17 exceed 30 percent of the household's monthly income.

18 (2) "City" means any city or town, including a code city.

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

20 (4) "Eligible organization" means nonprofit developers, for-
21 profit developers, public housing authorities, public development

1 authorities, or other applicants eligible under rules established by
2 the Washington state housing finance commission.

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

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

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

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

16 (7) "Low-income household" means:

17 (a) For nonrural counties, a single person, family, or unrelated
18 persons living together whose adjusted income is at or below 80
19 percent of the median family income adjusted for family size, for the
20 county in which the property is located, as reported by the United
21 States department of housing and urban development; and

22 (b) For rural counties, a single person, family, or unrelated
23 persons living together whose adjusted income is at or below 100
24 percent of the median family income adjusted for family size, for the
25 county in which the property is located, as reported by the United
26 States department of housing and urban development.

27 (8) "Nonprofit developer" means:

28 (a) 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 (b) A limited partnership or limited liability company,
32 consisting of any of the following:

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

36 (ii) A public corporation established under RCW 35.21.660,
37 35.21.670, or 35.21.730;

38 (iii) A housing authority created under RCW 35.82.030 or
39 35.82.300; and

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

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

5 (9) "Owner" means the property owner of record.

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

14 (11) "Rural county" means a county with a population density of
15 less than 100 persons per square mile or a county smaller than 225
16 square miles as determined by the office of financial management
17 pursuant to RCW 43.62.035.

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

28 (a) The application process;

29 (b) The approval process;

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

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

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

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

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

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

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

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

15 (a) Information setting forth the grounds supporting the
16 requested exemption including information indicated on the
17 application form or in the guidelines;

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

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

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

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

28 (f) A statement that the applicant is aware that the governing
29 authority of the city or county official authorized by the governing
30 authority may extend the deadline for completion of construction for
31 a period not to exceed 24 consecutive months;

32 (2) The applicant must verify the application by oath or
33 affirmation; and

34 (3) The application must be accompanied by the application fee,
35 if any, required under this chapter. The duly authorized
36 administrative official or committee of the city or county may permit
37 the applicant to revise an application before final action by the
38 duly authorized administrative official or committee of the city or
39 county.

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

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

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

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

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

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

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

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

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

34 (3) If the application is denied by the city or county, the city
35 or county must state in writing the reasons for denial and send the
36 notice to the applicant at the applicant's last known address within
37 10 days of the denial.

38 (4) Upon denial by the city or county, an applicant may appeal
39 the denial to the city's or county's governing authority, or a city

1 or county official designated by the city or county to hear such
2 appeals, within 30 days after receipt of the denial. The appeal
3 before the city's or county's governing authority or designated city
4 or county official must be based upon the record made before the city
5 or county with the burden of proof on the applicant to show that
6 there was no substantial evidence to support the city's or county's
7 decision. The decision of the city or county on the appeal is final.

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

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

16 (a) A description of the work that has been completed and a
17 statement that the qualifying project qualifies the property for a
18 sales and use tax remittance under this chapter;

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

20 (c) A statement that the work has been completed within three
21 years of the issuance of the conditional certificate of program
22 approval.

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

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

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

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

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

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

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

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

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

24 (7) A governing authority denying an eligible organization a
25 sales and use tax remittance under section 3 of this act must notify
26 the department within 15 days of the denial.

27 NEW SECTION. **Sec. 8.** (1) An eligible organization must apply to
28 the department before initiation of the construction of the
29 qualifying project. In the case of a qualifying project involving
30 multiple qualifying buildings, applications must be made for, and
31 before the initiation of construction of, each qualifying building.
32 The application must be made to the department in a form and manner
33 prescribed by the department. The application must include a copy of
34 the conditional certificate of program approval issued by the city or
35 county, estimated construction costs, time schedules for completion
36 and operation, and any other information required by the department.
37 The department must rule on the application within 90 days except
38 that the department may extend the time of processing such

1 application upon notice to the eligible organization that ruling on
2 the application cannot be completed within such time.

3 (2) The department must provide information to the eligible
4 organization regarding documentation that must be retained by the
5 eligible organization to substantiate the amount of sales and use tax
6 exempted under this chapter.

7 (3) The application must include a waiver by the eligible
8 organization of the four-year limitation under RCW 82.32.100.

9 (4) To qualify for the exemption in this chapter, the eligible
10 organization must be registered with the department under RCW
11 82.32.030.

12 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.08
13 RCW to read as follows:

14 (1) Subject to the requirements of this section, the tax levied
15 by RCW 82.08.020 does not apply to sales of materials incorporated
16 into, and labor and services rendered in respect to, a qualifying
17 project. An eligible organization claiming a remittance under this
18 section must pay the state and local sales and use tax on such sales
19 and apply to the department for a remittance of the tax paid.

20 (2) Beginning January 1, 2026, the exemption under this section
21 is for taxes collected on a qualifying project under the program
22 established in section 2 of this act. The remittance is allocated to
23 the eligible organization and the city or county as follows:

24 (a) 50 percent of state and local sales and use taxes paid must
25 be remitted to the eligible organization. The remittance of local
26 sales and use taxes is limited to taxes imposed by the city or county
27 that has authorized the remittance program under section 2 of this
28 act;

29 (b) 50 percent of state sales and use taxes paid must be
30 distributed to the city or county that has authorized the remittance
31 program under section 2 of this act.

32 (3) To receive a remittance under this section, the eligible
33 organization must submit the following to the department:

34 (a) A remittance application in a form and manner as required by
35 the department;

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

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

1 (d) An information sheet, in a form and manner as required by the
2 department, specifying the amount of exempted tax claimed and the
3 qualifying purchases or acquisitions for which the remittance is
4 claimed;

5 (e) A signed affidavit from an authorized representative of the
6 city or county requesting or declining a remittance under this
7 chapter; and

8 (f) Any other documentation supporting the remittance
9 application.

10 (4) The department must rule on the application within 90 days,
11 except that the department may extend the time of processing such
12 application upon notice to the eligible organization that ruling on
13 the application cannot be completed within such time.

14 (5) This section applies to eligible organizations receiving a
15 certificate of completion on or before December 31, 2035.

16 (6) The definitions in section 1 of this act apply to this
17 section.

18 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.12
19 RCW to read as follows:

20 (1) The provisions of this chapter do not apply with respect to
21 the use of materials incorporated into, and labor and services
22 rendered in respect to, a qualifying project. An eligible
23 organization claiming a remittance under this section must pay the
24 state and local use tax on such uses and apply to the department for
25 a remittance of the tax paid.

26 (2) The definitions, conditions, and requirements of section 9 of
27 this act apply to this section.

28 (3) This section applies to eligible projects receiving a
29 certificate of completion on or before December 31, 2035.

30 NEW SECTION. **Sec. 11.** (1) Beginning January 1, 2026, a city or
31 county which has enacted a remittance program created under section 2
32 of this act must use the remittance moneys for the following
33 purposes:

34 (a) Acquiring, rehabilitating, or constructing affordable
35 housing, which may include new units of affordable housing within an
36 existing structure or facilities providing supported housing services
37 under RCW 71.24.385;

1 (b) Acquiring real property for future affordable housing
2 development;

3 (c) Funding the operation and maintenance costs of new units of
4 affordable or permanent supportive housing;

5 (d) The operation and delivery of behavioral health treatment
6 programs and services;

7 (e) If the city or county utilized general fund moneys to support
8 a qualifying project under a remittance program established under
9 section 2 of this act, the city or county may recompense itself.

10 (2) Eligible cities and counties may enter into interlocal
11 agreements to combine funds from remittance programs created under
12 section 2 of this act.

13 (3) This section expires December 31, 2035.

14 NEW SECTION. **Sec. 12.** (1) Thirty days after the anniversary of
15 the date of issuance of the certificate of occupancy and each year
16 thereafter for 40 years, the eligible organization must file with a
17 designated authorized representative of the city an annual report
18 indicating the following:

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

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

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

24 (2) A city or county that has issued a certificate of completion
25 under this chapter must report annually by December 31st of each
26 year, beginning in 2026, to the department. The report must include
27 the following information:

28 (a) Identifying information for each qualifying project that has
29 received a certificate of completion; and

30 (b)(i) Confirmation that the qualifying project continues to
31 qualify for the remittance; or

32 (ii) Notification that the qualifying project no longer meets the
33 qualifications for a remittance.

34 NEW SECTION. **Sec. 13.** (1) The taxes exempted under this chapter
35 are immediately due and payable if:

36 (a) An eligible organization notifies the city or county and the
37 department that they voluntarily opt to discontinue compliance with
38 the requirements of this chapter; or

1 (b) A city or county finds that a portion of a qualifying project
2 is changed or will be changed to disqualify the recipient for
3 remittance eligibility under this chapter.

4 (2) The department must assess interest at the rate provided for
5 delinquent taxes, but not penalties, retroactively to the date of
6 remittance. A debt for remitted taxes is not extinguished by
7 insolvency or other failure of the recipient.

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

10 NEW SECTION. **Sec. 14.** (1) Transfer of qualifying project
11 ownership does not terminate the exemption. The exemption is subject
12 to the successor meeting the eligibility requirements under this
13 chapter.

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

24 NEW SECTION. **Sec. 15.** This section is the tax preference
25 performance statement for the tax preference contained in sections 9
26 and 10, chapter . . . , Laws of 2025 (sections 9 and 10 of this act).
27 This performance statement is only intended to be used for subsequent
28 evaluation of the tax preference. It is not intended to create a
29 private right of action by any party or be used to determine
30 eligibility for preferential tax treatment.

31 (1) The legislature categorizes the tax preferences as those
32 intended to induce certain designated behavior by taxpayers, as
33 indicated in RCW 82.32.808(2) (a).

34 (2) It is the legislature's specific public policy objective to
35 expand affordable housing options for low-income households.

36 (3) (a) To measure the effectiveness of the tax preferences in
37 this act, the joint legislative audit and review committee must
38 evaluate the number of housing units and affordable housing units

1 created by qualifying projects receiving the exemptions under this
2 act and the number of housing units and affordable housing units
3 created in projects funded by remittance funds under this act. If a
4 review finds that the number of affordable housing units produced has
5 not increased, then the legislature intends to repeal this tax
6 preference.

7 (b) The review must be provided to the fiscal committees of the
8 legislature by December 31, 2033.

9 (4) In order to obtain the data necessary to perform the review
10 in subsection (3) of this section, the joint legislative audit and
11 review committee may refer any other data collected by the state, any
12 data source, and any data collected by the department under RCW
13 82.59.080.

14 NEW SECTION. **Sec. 16.** Sections 1 through 8, 11 through 14, and
15 16 of this act constitute a new chapter in Title 82 RCW.

16 NEW SECTION. **Sec. 17.** This act takes effect January 1, 2026.

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