

# FINAL BILL REPORT

## SHB 1406

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**C 338 L 19**  
Synopsis as Enacted

**Brief Description:** Encouraging investments in affordable and supportive housing.

**Sponsors:** House Committee on Housing, Community Development & Veterans (originally sponsored by Representatives Robinson, Macri, Chapman, Valdez, Senn, Peterson, Kloba, Tharinger, Gregerson, Stanford, Walen, Doglio, Frame, Jinkins, Riccelli, Slatter, Ormsby and Santos).

**House Committee on Housing, Community Development & Veterans**  
**House Committee on Finance**  
**Senate Committee on Housing Stability & Affordability**  
**Senate Committee on Ways & Means**

### **Background:**

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

### **Summary:**

County and city legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.0146 percent or 0.0073 percent.

Until July 28, 2020, the maximum rate of 0.0146 percent is available only to:

- a city levying a qualifying local tax;
- a city located in a county that declares it will not levy the tax or that does not adopt a resolution of intent to impose the tax; and
- a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax or that does not adopt a resolution of intent to impose the tax.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The rate of 0.0073 percent is available only to:

- a city without a qualifying local tax; and
- a county within the limits of a city that does not levy a qualifying local tax.

A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

After July 28, 2020, the maximum rate of 0.0146 percent is available only to:

- a city levying a qualifying local tax; and
- a county within its unincorporated areas and within the limits of a city that is not levying the tax.

The rate of 0.0073 percent is available only to:

- a city that is not levying a qualifying tax located in a county levying the tax; and
- a county within the limits of a city that does not levy a qualifying local tax. A city without a qualifying local tax may not levy the tax unless the county also levies the tax. A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

A "qualifying local tax" is defined as the affordable housing levy, the sales and use tax for housing and related services, the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts, or a voter-approved property tax levy used solely for affordable housing. To impose the tax, a county or city legislative authority must adopt a resolution of intent within six months of July 28, 2019, and impose the tax within one year.

The tax is credited against the state sales tax collected in the jurisdiction. The amount a county or city may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2019.

A county or city may bond against the revenue. The revenue collected or bonds issued may only be used for:

- acquiring, rehabilitating, or constructing affordable housing, including new units of affordable housing within an existing structure or facilities providing supportive housing services to individuals with mental or behavioral disorders; or
- operations and maintenance costs of new units of affordable or supportive housing.

Counties with a population of 400,000 or less and cities with a population of 100,000 or less may also use the revenue to provide rental assistance to tenants.

Housing and services may only be provided to persons whose income is at or below 60 percent of the county median income. A county or city may enter into an interlocal agreement with one or more other counties, cities, or housing authorities to provide affordable or supportive housing.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Department of Commerce (COM), and the COM must submit a report annually to the appropriate legislative committees.

The tax expires 20 years after the jurisdiction first imposes the tax.

**Votes on Final Passage:**

House	66	32	
Senate	33	15	(Senate amended)
House	62	36	(House concurred)

**Effective:** July 28, 2019