

SENATE BILL REPORT

HB 1987

As Passed Senate, February 27, 2024

Title: An act relating to the use of moneys from the rural public facilities sales and use tax for affordable workforce housing infrastructure and facilities.

Brief Description: Concerning the use of moneys from the rural public facilities sales and use tax for affordable workforce housing infrastructure and facilities.

Sponsors: Representatives Low, Ramel, Ryu, Eslick, Timmons, Paul, Ramos, Reed, Chapman, Ormsby, Graham, Doglio, Sandlin, Lekanoff, Tharinger and Santos.

Brief History: Passed House: 2/12/24, 97-0.

Committee Activity: Local Government, Land Use & Tribal Affairs: 2/15/24, 2/20/24 [DP].

Floor Activity: Passed Senate: 2/27/24, 48-1.

Brief Summary of Bill

- Specifies that revenue from the local sales and use tax for public facilities in rural counties may be used to finance the construction of affordable workforce housing infrastructure or facilities.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: Do pass.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Torres, Ranking Member; Kauffman and Short.

Staff: Karen Epps (786-7424)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of

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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 tax applies 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 for Public Facilities in Rural Counties. Rural counties may impose a 0.09 percent sales and use tax (rural public facility tax), credited against the state rate, to fund certain public facilities and economic development activities or to provide affordable workforce housing facilities. For counties imposing the rural public facility tax at 0.09 percent prior to August 1, 2009, the tax expires 45 years after the tax was first imposed.

The rural public facility tax may only be used to finance:

- public facilities serving economic development purposes, and
- to pay for personnel in economic development offices.

Public facilities generally include telecommunications infrastructure, transportation infrastructure, commercial infrastructure, some utilities infrastructure, affordable workforce housing infrastructure or facilities, and other specifically identified facilities.

A public facility must be listed as an item in the officially adopted county overall economic development plan; the economic development section of the county's comprehensive plan; the comprehensive plan of a city or town located within the county, for those counties planning under the Growth Management Act; or provide affordable workforce housing infrastructure or facilities.

Affordable workforce housing infrastructure or facilities includes housing infrastructure or facilities for a single person, family, or unrelated persons living together whose income is at least 60 percent and no more than 120 percent of the median income, adjusted for housing size, for the county where the housing is located.

A rural county is defined as a county with a population density less than 100 persons per square mile, or counties smaller than 225 square miles, as determined by the Office of Financial Management. Currently, there are 30 counties that meet the rural county definition.

Summary of Bill: Revenue from the local sales and use tax for public facilities in rural counties may be used to finance the construction of affordable workforce housing infrastructure or facilities. The definition of affordable workforce housing infrastructure or facilities is amended to include land.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is a technical and clarification fix to a bill from 2022 so 0.09 funds can be used for workforce housing. The bill broadens the use of funds to include the purchase of land which can be a big hurdle for rural counties. There is a need for affordable housing in rural counties to attract businesses to invest in those counties and these funds are crucial for economic development. The language in the 2022 legislation is insufficient to clearly authorize the use of the program for workforce housing and this bill provides clarity to the law to ensure that counties can use these funds for workforce housing.

Persons Testifying: PRO: Representative Sam Low, Prime Sponsor; Commissioner Ron Wesen, Skagit County.

Persons Signed In To Testify But Not Testifying: No one.