

Affordable and Supportive Housing Sales and Use Tax — Collection and use of revenue



Report on the collection and use of revenues pursuant to RCW
82.14.540(11)

COMMUNITY SERVICES &
HOUSING DIVISION

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Report to the Legislature

Director Lisa Brown

Acknowledgments

Washington State Department of Commerce

Diane Klontz, assistant director

Community Services and Housing Division

Emily Grossman, policy and strategy advisor

Community Services and Housing Division

Washington State Department of Commerce

COMMUNITY SERVICES AND HOUSING DIVISION

1011 Plum St. SE

P.O. Box 42525

Olympia, WA 98504-2525

www.commerce.wa.gov

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Table of Contents

Executive summary	2
Agency roles and activities	4
2021 data overview	5
Appendix A: Chapter 365-240 WAC Affordable and Supportive Housing - Sales and Use Tax.....	13

Executive summary

Overview

The 2019 Encouraging Investments in Affordable and Supportive Housing Act ([RCW 82.14.540](#)) authorized a new tax credit against the state's 6.5% sales tax rate for local governments to invest in affordable and supportive housing. The maximum rate imposed may not exceed either 0.0146% or 0.0073% depending on the following criteria in RCW 82.14.540(2):

- (i) Beginning on July 28, 2019, until twelve months after July 28, 2019:
 - (A) 0.0073 percent for a:
 - (I) Participating city, unless the participating city levies a qualifying local tax; and
 - (II) Participating county, within the limits of nonparticipating cities within the county and within participating cities that do not currently levy a qualifying tax;
 - (B) 0.0146 percent for a:
 - (I) Participating city that currently levies a qualifying local tax;
 - (II) Participating city if the county in which it is located declares they will not levy the sales and use tax authorized under this section or does not adopt a resolution in accordance with this section; and
 - (III) Participating county within the unincorporated areas of the county and any city that declares they will not levy the sales and use tax authorized under this section or does not adopt a resolution in accordance with this section...

Jurisdictions can receive these tax revenues for up to 20 years. Counties and cities implementing the tax must report annually to the Department of Commerce (Commerce) on the "collection and use of the revenues."

Commerce prepares this report annually to update the Legislature on how participating jurisdictions use the funds as directed in [RCW 82.14.540\(11\)](#), which states:

Counties and cities imposing the tax under this section must report annually to the department of commerce on the collection and use of the revenue. The department of commerce must adopt rules prescribing content of such reports. By December 1, 2019, and annually thereafter, and in compliance with RCW 43.01.036, the department of commerce must submit a report annually to the appropriate legislative committees with regard to such uses.

The Department of Revenue (DOR) interprets and implements RCW 82.14.540 and administers the tax to jurisdictions. It also calculates the maximum tax distribution jurisdictions receive each fiscal year.

Allowable use of funds

Affordable and Supportive Housing Sales and Use Tax revenues are available for housing and services to people whose income is at or below 60% of the median income of the city or county imposing the tax (RCW 82.14.540(6)). Counties with more than 400,000 residents and cities with more than 100,000 residents may only use the revenue for the following activities:

- (i) Acquiring, rehabilitating, or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services under [RCW 71.24.385](#) [behavioral health organizations]; or
- (ii) Funding the operations and maintenance costs of new units of affordable or supportive housing.

Counties with fewer than 400,000 residents and cities with fewer than 100,000 residents may use the revenue for the uses stated above and for providing tenants with rental assistance. In addition, jurisdictions may finance

loans or grants to nonprofit organizations or public housing authorities or use the tax proceeds to repay bonds under debt limitations imposed by the state constitution or statute. Additionally, they may enter into an interlocal agreement with other cities, counties and housing authorities to pool and allocate the revenue.

2021 data summary

Commerce collected state fiscal year 2021 spending data from jurisdictions in October and November 2021. Most jurisdictions have not begun spending Affordable and Supportive Housing Sales Tax revenue. Eighty jurisdictions completed the required annual report on revenue spending for state fiscal year 2021.¹

- 121 jurisdictions (35 counties and 86 cities) received distributions from DOR.
- DOR distributions statewide totaled \$25,308,797.12 (see the [2021 data overview](#) for the complete list).
- Three jurisdictions reported spending or committing funds toward capital projects.
- Eight jurisdictions reported utilizing revenue for rent assistance programs.
- Five jurisdictions used funds for operations and maintenance costs of new housing units.
- 30 jurisdictions participate in interlocal partnerships to pool and distribute Affordable and Supportive Housing Sales and Use Tax revenue. These jurisdictions are all in King and Thurston counties.

¹ The online report form and instructions are on the Commerce website at <https://www.commerce.wa.gov/affordable-and-supportive-housing-sales-and-use-tax/>.

Agency roles and activities

Department of Revenue

The Department of Revenue (DOR) interprets and implements the law and administers the tax credit to jurisdictions. It also calculates the maximum tax distribution jurisdictions receive and provides that information to the Department of Commerce (Commerce).

The Affordable and Supportive Housing Sales Tax is not an additional tax but rather a tax credit against the state portion of the sales and use tax returned to participating jurisdictions. Jurisdictions receive the tax distribution monthly. DOR collects minimal information from jurisdictions to administer tax distributions. However, DOR provides Commerce with data on jurisdictions' receipt of the tax credit for the required legislative report.

Department of Commerce

According to RCW 82.14.540, Commerce gathers information from jurisdictions on the use of Affordable and Supportive Housing Sales Tax revenues. It then prepares this annual report to update the Legislature on the collection and use of funds statewide. Pursuant to [RCW 82.14.540](#), Commerce conducted rulemaking in 2019 and 2020 to prescribe the content of those reports. The final rule was adopted on April 13, 2020 (See [Appendix A](#) for the final rule).

How the rate is calculated

The maximum authorized tax distribution is based on the jurisdiction's taxable retail sales in state fiscal year 2019 multiplied by the authorized tax rate (0.0073% or 0.0146%). For example, suppose a city's taxable retail sales were \$1 million in state fiscal year 2019. In that case, the maximum amount the city may receive is either \$73 or \$146 per fiscal year, depending on its authorized rate. If that city had taxable retail sales of \$50,000 for a particular month and was eligible to receive the 0.0073% rate, it would receive \$3.65 in tax distribution.

The tax rate is based on three factors: date of adoption, presence of a qualifying local tax (cities only) and whether the corresponding city or county is a participating jurisdiction. In some circumstances, counties and cities share revenue. A full list of jurisdictions receiving funds is available in the [2021 data overview](#) in the next section.

2021 data overview

Participating jurisdictions

The data presented in Tables 1, 2, 3 and 4 are reported for state fiscal year 2021 (July 1, 2020-June 30, 2021).

Highlights

- 121 jurisdictions (35 counties and 86 cities) received distributions from the Department of Revenue (DOR)
- The total DOR distribution statewide was \$25,308,797.12

Table 1: Distributions to participating counties in state fiscal year 2021

County	Distribution amount
Adams	\$51,473.20
Asotin	\$30,949.24
Benton	\$558,286.43
Chelan	\$199,558.97
Clallam	\$144,150.82
Clark	\$730,494.86
Columbia	\$9,501.63
Cowlitz	\$161,897.88
Douglas	\$27,384.55
Franklin	\$33,108.54
Garfield	\$5,136.80
Grant	\$251,237.61
Grays Harbor	\$105,206.02
Island	\$146,440.13
Jefferson	\$61,855.33
King	\$3,682,158.04

County	Distribution amount
Klickitat	\$54,212.91
Lewis	\$233,150.81
Lincoln	\$15,053.76
Mason	\$121,900.28
Okanogan	\$76,963.29
Pacific	\$142,290.11
Pend Oreille	\$24,130.78
Pierce	\$1,601,254
San Juan	\$82,053.83
Skagit	\$277,060.87
Skamania	\$11,908.78
Snohomish	\$1,343,274.79
Spokane	\$937,880.63
Thurston	\$471,605.03
Wahkiakum	\$5,963.10
Walla Walla	\$96,061.54
Whatcom	\$683,598.73
Whitman	\$64,337.46
Yakima	\$351,655.51
Total distribution to 35 participating counties	\$12,793,196.26

Table 2: Distributions to participating cities in state fiscal year 2021

City	Distribution amount
Airway Heights	\$14,377.28
Anacortes	\$68,100
Arlington	\$38,924.65
Auburn	\$129,338.07
Bainbridge Island	\$43,463.82
Bellevue	\$618,387.38
Bonney Lake	\$46,615.86
Bothell	\$99,603.37
Bremerton	\$60,097.84
Burien	\$63,337.24
Burlington	\$53,268.99
Carnation	\$3,645.58
Cashmere	\$2000.13
Chelan	\$12,340.03
Clyde Hill	\$4,832.15
Covington	\$42,544.04
Dayton	\$2,548.08
Des Moines	\$2,548.08
Duvall	\$9,025.31
East Wenatchee	\$33,208.71
Edmonds	\$71,931.05
Ellensburg	\$85,189.37

City	Distribution amount
Enumclaw	\$27,674.90
Everett	\$224,718.31
Federal Way	\$125,065.50
Fife	\$61,819.72
Forks	\$4,713.90
Issaquah	\$122,956.20
Kalama	\$4,453.14
Kenmore	\$22,466.15
Kent	\$194,889.31
Kirkland	\$205,225.23
Lacey	\$110,373.93
Lake Forest Park	\$5,639.31
Lake Stevens	\$34,891.73
Lakewood	\$97,697.17
Leavenworth	\$15,631.81
Longview	\$16,808.04
Lynnwood	\$156,078.46
Maple Valley	\$26,185.81
Marysville	\$94,117.37
Mercer Island	\$37,372.56
Mill Creek	\$24,674.77
Monroe	\$45,540.66
Moses Lake	\$57,023.92

City	Distribution amount
Mount Vernon	\$54,782.61
Mukilteo	\$17,795.86
Newcastle	\$12,152.37
North Bend	\$19,332.50
Olympia	\$329,491.11
Omak	\$14,497.27
Pasco	\$90,485.39
Port Angeles	\$58,025.59
Port Orchard	\$44,553.73
Port Townsend	\$13,705.32
Poulsbo	\$35,922.03
Puyallup	\$194,101.51
Quincy	\$31,272.12
Redmond	\$289,265.78
Renton	\$187,893.36
Ridgefield	\$19,774.23
Sammamish	\$53,098.32
Seatac	\$95,589.08
Seattle	\$4,220,387.50
Sedro Woolley	\$12,393.71
Sequim	\$22,271.29
Shoreline	\$86,235.08
Snohomish	\$37,391.39

City	Distribution amount
Snoqualmie	\$20,066.27
Spokane	\$402,274.47
Spokane Valley	\$193,522.69
Stanwood	\$14,544.47
Stevenson	\$3168.20
Sumner	\$43,682.00
Tacoma	\$435,389.46
Tukwila	\$148,238.75
Tumwater	\$63,703.51
University Place	\$23,468.97
Vancouver	\$407,857.49
Washougal	\$8,655.10
Wenatchee	\$85,427.15
Winthrop	\$3,202.51
Woodinville	\$61,532.49
Woodway	\$1,562.68
Yakima	\$147,516.63
Total distribution to 85 participating cities	\$9,919,602.33

Jurisdictions' use of funds

Most jurisdictions have not begun spending their Affordable and Supportive Housing Sales Tax revenue. Eight jurisdictions (shown in Table 2) reported using the revenue for rent assistance programs. Three jurisdictions reported spending on capital projects (shown in Table 3). Five jurisdictions used Affordable and Supportive Housing Sales and Use Tax revenue to support operations and maintenance costs for new affordable housing units (shown in Table 4).

Table 2: Spending on rent assistance by jurisdiction and target population, SFY 2021

Jurisdiction	Total spent	Households served	Priority population served
Bainbridge Island	\$10,807.00	11	People financially impacted by the COVID pandemic
Covington	\$37,781.08	60	Low-income households
Mercer Island	\$42,822.00	25	Low-income households
San Juan County	\$620	1	Low-income households
Shoreline	\$133,542.42	77	Low-income households
Tukwila	\$125,486.00	117	Low-income households
Thurston County	\$372,806.00	54	People with behavioral health disabilities or exiting institutions, families with children
Whatcom County	\$129,532.71	54	Low-income households
Total	\$853,397.21	399	N/A

Table 3: Capital project expenditures by jurisdiction, state fiscal year 2021

Jurisdiction	Total spent	Activity	New projects/units
Grant County	\$324,000.00	Rehabilitation only	N/A
Marysville	\$561,877.05	Acquisition only	N/A
San Juan County	\$42,956.50	Grants/loans for new construction	1 project/40 units newly in service with affordability covenants of 31+ years
Total	\$928,833.55	N/A	N/A

Table 4: Operations and maintenance expenditures by jurisdiction, SFY 2021

Jurisdiction	Total expenditures	Units supported
Garfield County	\$13,800	2
Grant County/Moses Lake	\$7,112.32	35
Jefferson County	\$94,068.00	10
Marysville	\$59.49	2
Okanogan County	\$42,006.85	25
Total	\$157,047	74

Appendix A: Chapter 365-240 WAC

Affordable and Supportive Housing - Sales and Use Tax

Chapter 365-240 WAC AFFORDABLE AND SUPPORTIVE HOUSING—LOCAL SALES AND USE TAX

Last Update: 4/13/20

WAC

365-240-010 Authority.
365-240-020 Authorized uses of tax revenue.
365-240-030 Annual report to the department of commerce.

WAC 365-240-010 Authority. This chapter is promulgated pursuant to the authority granted in RCW 82.14.540 requiring counties and cities that impose the local sales and use tax for affordable and supportive housing to report annually to the department of commerce on the collection and use of the revenue and for the department of commerce to adopt rules prescribing the content of those reports.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-010, filed 4/13/20, effective 5/14/20.]

WAC 365-240-020 Authorized uses of tax revenue. Counties with populations over four hundred thousand and cities with populations over one hundred thousand may use tax revenue for:

(1) Acquiring, rehabilitating, or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services under RCW 71.24.385 (behavioral health organizations); or

(2) Operations and maintenance costs of new units of affordable or supportive housing.

Counties with populations under four hundred thousand and cities with populations under one hundred thousand population may use tax revenue for the activities outlined above, as well as to provide rental assistance to tenants that are at or below sixty percent of the median income of the county or city that is imposing the tax.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-020, filed 4/13/20, effective 5/14/20.]

WAC 365-240-030 Annual report to the department of commerce. Jurisdictions must submit a report to the department by October 1st annually with the following information pertaining to the most recent fiscal year. Reports submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must be accompanied by contract language designating the responsible entity for submitting annual reports and ensuring their accuracy.

The first report will be due October 1, 2020, and annually thereafter.

(1) General:

(a) All references made in this section to funds, funds pooled, or funds utilized or bonded against are in regard to those derived from a jurisdiction's affordable and supportive housing sales and use tax distribution from the department of revenue for the corresponding fiscal year.

(b) An annual report submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must be accompanied by

agreed language designating it as the responsible party for report timeliness and accuracy.

(c) Information submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must include the total combined revenue collection and program activities for all jurisdictions subject to the agreement. A separate report on revenue collection and program activities must be submitted for each jurisdiction choosing to additionally expend funds outside the agreement, if applicable.

(d) All reports submitted pursuant to this section must include contact information for the preparer.

(2) Revenue collection:

(a) Total affordable and supportive housing sales and use tax distribution for the reporting jurisdiction(s);

(b) Applicable affordable housing and supportive housing sales and use tax rate(s) for the reporting jurisdiction(s);

(c) If an interlocal agreement is in place, the total revenue utilized jointly pursuant to the agreement;

(d) If an interlocal agreement is in place, the total revenue utilized by jurisdiction(s) separately, not according to the terms of the agreement.

(3) Program activities:

(a) Total funds committed;

(b) Number, types, and status of projects supported with funds;

(c) Degree of leverage with other public and private funds;

(d) Total funds utilized for rent assistance; and

(e) Duration of affordability for projects supported with funds.

(4) Program outputs:

(a) Total funds committed for loans and grants;

(b) Total funds obligated to support bonding activities;

(c) Total funds committed for operations and maintenance of new units of affordable or supportive housing;

(d) Total number of households served with funds used for rent assistance; and

(e) Target populations served with funds.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-030, filed 4/13/20, effective 5/14/20.]