For cities with a population under 100,000, the funds can be used to fund the operations and maintenance costs of new units of affordable or supportive housing. This program sounds very familiar. Didn’t a local option, a local sales and use tax credited against the state sales tax for housing investments, available in increments of 0.0073%, on the first day of the month following the 30-day period. The tax credit is in place for up to 20 years and can be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and, for smaller cities, rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Cities can also issue bonds to finance the authorized projects.

### Additional timelines to keep in mind:

1. **Department of Revenue (DOR) requires 30-days-notice of adoption of sales tax credits.** The credit will then take effect on the first day of the month following the 30-day period.
2. **If your city is adopting a “qualifying local tax”, DOR requires 75-days-notice of adoption of sales tax increases.** Local sales tax increases may only take effect on the first day of the first, second, or third quarter – not the fourth (April 1, July 1, or October 1).
3. **If your city is adopting a “qualifying local tax” remember to factor in the ballot measure process into the timeline, as these must be approved by the voters.**
4. **If you are intending to bond the revenues for a project under this authority, check with your legal counsel and bond counsel about other deadlines that may apply to your city.**

### Frequently asked questions:

1. **Program sounds very familiar. Didn’t it have a local option, a local sales and use tax credited against the state sales tax for housing investments, available in increments of 0.0073%, on the first day of the month following the 30-day period.**
2. **Is the amount of tax credit we receive limited only by the amount of sales tax collected per year?** No, the maximum amount will be based on state fiscal year 2019 sales.
3. **Does the tax credit program expire?** Yes, the tax expires 20 years after the date on which the tax is first levied.

### Deadlines to participate:

- **Resolution to levy tax credit: July 28, 2019**
- **Ordinance to levy the tax credit: By July 27, 2020**
- **Adopt “qualifying local tax” (optional): By July 31, 2020**

### Eligibility to receive shared revenues:

- **The state is splitting the shared resources between cities and counties.** Counties may receive both shares if they have adopted a “qualifying local tax” by July 31, 2020. Qualifying taxes are detailed below. Counties who are levying a “qualifying local tax” by July 28, 2019, the effective date of the new law, will receive both shares immediately once they impose the new sales tax credit.
- **If a city does not implement a qualifying local tax by the deadline, they can still participate in the program if they meet the other deadlines but will be eligible for a lower credit rate.**
- **A city can adopt the sales tax credit before designating how the funds will be used once collected.**

### Qualifying local taxes:

- **The following are considered “qualifying local taxes” and, if levied, give the city access to both shares of the tax credit (i.e. 0.0146% rate instead of the single share rate of 0.0073%).**
  - Affordable housing levy (property tax) under RCW 84.52.105
  - Sales and use tax for housing and related services under RCW 82.14.530
  - Sales tax for chemical dependency and mental health (optional .1 MIDD) under RCW 82.14.460
  - Levy (property tax) authorized under RCW 84.55.050, if used solely for affordable housing

### Contact:

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Is your city interested in accessing additional funding to support affordable housing for the next 20 years?

Yes

No

Maybe. What can we spend the money on?

No action required.

Does your city levy a “qualifying local tax”? 

Yes

No

Can your city adopt a “qualifying local tax” by July 31, 2020, including ballot measure?

Yes

No

Your city is still eligible to participate in the program. Go to Step 3 to continue.

Unfortunately, your city is no longer eligible to participate in the program.

What’s a “qualifying local tax”?

1. Affordable housing levy (RCW 84.52.105)
   
   OR
   
   2. Sales and use tax for housing and related services (RCW 82.14.530). Must impose at least half of the authorized rate.
   
   OR
   
   3. Sales tax for chemical dependency and mental health services or therapeutic courts (RCW 82.14.460).
   
   OR
   
   4. Levy (property tax) under RCW 84.55.050, if used solely for affordable housing.

The law requires a resolution of intent to impose the tax credit. Can your city adopt a resolution of intent between July 28, 2019 and January 31, 2020?

Yes

No

Great! Next, your city must adopt an ordinance by July 27, 2020 to levy the maximum tax under HB 1406. Did you or will you?

Yes

No

Great! Now let’s find out what your maximum tax rate is. Did your city instate a “qualifying local tax” by the deadline – July 31, 2020? A “qualifying local tax” is not required but can increase your tax credit.

Yes

No

Did your county levy its share of the tax credit?

Yes

No

Your tax credit rate is 0.0146% starting on the date the tax credit is levied. (See Important Dates.)

Until July 1, 2020, your tax credit rate is 0.0073% starting on the date the tax credit is levied. (See Important Dates.)

Important dates:

- Resolution to levy tax credit: July 28, 2019 – January 31, 2020
- Ordinance to levy the tax credit: By July 27, 2020
- Adopt “qualifying local tax” (optional): By July 31, 2020
- See also Additional timelines to keep in mind on the back

Your city is still eligible to participate in the program. Go to Step 3 to continue.

All projects must serve households with incomes at or below 60% Area Median Income (AMI). Is the city’s population more than 100,000?

Yes

No

All of the options for cities over 100,000, plus rental assistance to tenants.

• Acquiring, rehabing, or constructing affordable housing. Includes new units within an existing structure or supportive housing facilities under RCW 71.24.385. Consider bonding, land acquisition, direct capital investment down payment assistance, and rehabilitation of single family homes owned by individuals who meet the 60% AMI qualification.

OR

• Funding the operations and maintenance costs of new units of affordable or supportive housing.

What can we spend the money on?

- What’s a “qualifying local tax”?

Yes

No

What’s a “qualifying local tax”?

Yes

No

Yes

No

No

Your tax credit rate is 0.0073% starting on the date the tax credit is levied. (See Important Dates.)

Until July 1, 2020, your tax credit rate is 0.0073% starting on the date the tax credit is levied. (See Important Dates.) After July 1, 2020, your tax credit rate is 0.0146%.

Important dates:

- Resolution to levy tax credit: July 28, 2019 – January 31, 2020
- Ordinance to levy the tax credit: By July 27, 2020
- Adopt “qualifying local tax” (optional): By July 31, 2020
- See also Additional timelines to keep in mind on the back
Implementing HB 1406

2019

Don’t miss out on up to 20 years of shared revenue for affordable housing

In the 2019 legislative session, the state approved a local revenue sharing program for local governments by providing up to a 0.0146% local sales and use tax credit against the state sales tax for housing investments, available in increments of 0.0073%, depending on the imposition of other local taxes and whether your county also takes advantage. The tax credit is in place for up to 20 years and can be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and, for smaller cities, rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Cities can also issue bonds to finance the authorized projects. This local sales tax authority is a credit against the state sales tax, so it does not increase the sales tax for the consumer. There are tight timelines that must be met to access this funding source – the first is January 31, 2020 to pass a resolution of intent. The tax ordinance must then be adopted by July 27, 2020 to qualify for a credit.

The following information is intended to assist your city in evaluating its options and timelines. It is not intended as legal advice. Check with your city’s legal counsel and/ or bond counsel for specific questions on project uses and deadlines for implementation.

Deadline to participate:

- Resolution to levy tax credit: July 28, 2019 – January 31, 2020
- Ordinance to levy the tax credit: By July 27, 2020
- Adopt “qualifying local tax” (optional): By July 31, 2020

Eligibility to receive shared revenues

- The state is splitting the shared resources between cities and counties. However, cities can receive both shares if they have adopted a “qualifying local tax” by July 31, 2020. Qualifying taxes are detailed below. Cities who are levying a “qualifying local tax” by July 28, 2019, the effective date of the new law, will receive both shares immediately once they impose the new sales tax credit.
- If a city does not implement a qualifying local tax by the deadline, they can still participate in the program if they meet the other deadlines but will be eligible for a lower credit rate.
- A city can adopt the sales tax credit before designating how the funds will be used once collected.

Qualifying local taxes

The following are considered “qualifying local taxes” and, if levied, give the city access to both shares of the tax credit (i.e. 0.0146% rate instead of the single share rate of 0.0073%).

- Affordable housing levy (property tax) under RCW 84.52.105
- Sales and use tax for housing and related services under RCW 82.14.350. The city must have adopted at least half of the authorized maximum rate of 0.001%.
- Sales tax for chemical dependency and mental health (optional .1 MIDD) under RCW 82.14.460
- Levy (property tax) authorized under RCW 84.55.050, if used solely for affordable housing

Think of the “qualifying local tax” as a multiplier or “doubler.” It gives the city access to double the tax credit even when the county chooses to participate in the program.