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**Finance Committee**

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**HB 2773**

**Brief Description:** Concerning local excise tax authorities for counties and cities.

**Sponsors:** Representatives Nelson and White; by request of Governor Gregoire.

**Brief Summary of Bill**

- Eliminates, until January 1, 2015, the voter-approval requirement for the public safety sales and use tax.
- Eliminates non-supplant restrictions for criminal justice, public safety, and mental health sales and use taxes.

**Hearing Date:** 1/19/10

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

Counties may impose a local sales and use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties; however, the receipts are shared with cities: 10 percent goes to the county and the remaining 90 percent is apportioned to the county and all cities within the county on the basis of population. The initial imposition of the tax is subject to potential referendum by the voters. Currently, 32 counties are levying the tax.

A county public safety sales and use tax was authorized in 2003. Subject to voter approval, counties may impose a tax up to 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice purposes, fire protection purposes, or both. A levying county retains 60 percent of the receipts and the remaining 40 percent is distributed to cities within the county on a per capita basis. The use of tax receipts must be stated in the ballot proposition that goes before the voters. Until calendar year 2010, tax receipts could not supplant (replace) existing funds being used for the purpose of the sales and use tax as provided in the ballot proposition. In 2009, the Legislature amended this non-supplant restriction, allowing counties to partially

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supplant existing funds until January 1, 2015. The sales and use tax has been implemented in five counties: Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

A county mental health/chemical dependency sales and use tax of 0.1 percent was authorized in 2005. The proceeds of the tax must be devoted to county mental health treatment, chemical dependency, and therapeutic court programs and services. Until calendar year 2010, tax receipts could not supplant (replace) existing funds being used for these programs and services. In 2009, the Legislature amended this non-supplant restriction, allowing counties to partially supplant existing funds until January 1, 2015. The sales and use tax has been imposed in 13 counties: Clallam, Clark, Island, Jefferson, King, Okanogan, San Juan, Skagit, Snohomish, Spokane, Thurston, Wahkiakum, and Whatcom.

**Summary of Bill:**

The voter-approval requirement for the public safety sales and use tax is eliminated until January 1, 2015. To impose the sales and use tax on or after January 1, 2015 a county must submit (or resubmit) an authorizing proposition to the voters.

The non-supplant restrictions are completely eliminated for the criminal justice sales and use tax and public safety sales and use tax.

The non-supplant restrictions for the mental health/chemical dependency sales and use tax is completely eliminated through calendar year 2014.

**Appropriation:** None.

**Fiscal Note:** Requested on January 14, 2010.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.