

HB 1772

Bill Analysis

March 6, 1997

Brief Description: Allowing cities to impose sales and use taxes for criminal justice, jails, and courts.

Bill Sponsors: Representatives Clements and Costa.

Staff: Linda Brooks (786-7153)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. Services subject to sales and use tax include the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property. The state sales and use tax rate is 6.5 percent, and local governments currently levy an additional 1 to 2.1 percent tax. The combined state and local tax rates range from 7 to 8.6 percent, depending on location.

The Legislature has authorized most counties to levy two optional sales and use taxes to generate revenues for criminal justice purposes:

- Optional Tax for Juvenile Detention Facilities and Jails; and
- Optional Tax for Criminal Justice Programs.

Optional Tax for Juvenile Detention Facilities and Jails:

Any county with a population under one million persons may levy an optional 0.1 percent sales and use tax to generate revenues for juvenile detention facilities and jails, if the optional tax is approved by the voters. As of January 1996, six counties were levying this tax.

Optional Tax for Criminal Justice Programs:

Any county may also levy a 0.1 percent sales and use tax to generate revenues for criminal justice programs. Voter approval is not required for this levy, but a county must provide for a referendum procedure when the tax is adopted. As of January 1996, nineteen counties were levying this tax.

A county levying the 0.1 percent optional tax for criminal justice programs must share the tax revenues with cities located in the county. Under the revenue distribution formula, a county receives 10 percent of all revenues directly. The remaining 90 percent is shared between the county and cities located within the county on the basis of population. For purposes of revenue

sharing, a county's population is computed as the total number of persons living in unincorporated areas of the county.

Summary of Bill: Either a county or a city may levy the following optional sales and use taxes to generate revenues for criminal justice purposes:

- Optional Tax for Juvenile Facilities, Jails, or Courts; and
- Optional Tax for Criminal Justice Programs.

Optional Tax for Juvenile Detention Facilities & Jails (expanded to Juvenile Detention Facilities, Jails, or Courts):

A county with a population under one million residents, or any city, may levy an optional 0.1 percent tax to generate revenues to design, construct, equip, operate, or improve juvenile detention facilities, jails, or courts. If a county and a city located within the county both levy the tax, then residents of the city will pay a combined 0.2 percent tax rate. County residents who live outside of the boundaries of the city levying the tax will pay a 0.1 percent tax rate. A city or county may only levy this tax, if it has been approved by the voters.

Optional Tax for Criminal Justice Programs:

Either a county or a city may levy an optional 0.1 percent tax to generate revenues for criminal justice programs. The levying of this tax does not require voter approval, but any city or county imposing it must provide for a referendum procedure.

If a city and a county both impose the tax, the total tax rate is limited to 0.1 percent. When both a city and a county impose the tax, tax revenues are shared. The county receives 10 percent of all tax revenues directly. The remaining 90 percent of the revenues are distributed between the county and cities located within the county on the basis of population. For purposes of revenue sharing, a county's population is computed as the total number of persons living in unincorporated areas of the county.

If a county does not levy this optional 0.1 percent tax, then any city imposing the tax receives 100 percent of all tax revenues.

Fiscal Note: Available.

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