

# HOUSE BILL REPORT

## HB 2178

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to interest earnings on sales and use taxes.

**Brief Description:** Creating the investments in Washington's future fund.

**Sponsors:** Representative Van Luven.

### Brief History:

#### Committee Activity:

Trade & Economic Development: 3/4/97, 3/5/97 [DP].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 5 members: Representatives Van Luven, Chairman; Veloria, Ranking Minority Member; Alexander; Mason and Morris.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Dunn, Vice Chairman; Sheldon, Assistant Ranking Minority Member; Ballasiotes and McDonald.

**Staff:** Kenny Pittman (786-7392).

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail within the state. Sales tax is paid by the purchaser and collected by the seller.

The sales tax collected by the seller is deemed to be held in trust by the seller until paid to the Department of Revenue (DOR). A tax collected by the seller is due on the 25th day of the month following the tax period in which the purchase was made. Tax periods are on a monthly, quarterly, or yearly basis.

The state's Basic Health Plan was created in 1987 to provide or make more readily available necessary basic health care services in an appropriate setting to working persons and others who lack coverage, at a cost that does not create barriers to the use of necessary health care services.

The Department of Community, Trade and Economic Development (CTED) is responsible for statewide tourism promotion activities and the establishment of foreign offices to promote Washington businesses and products.

The Washington Youthbuild program was created by the Legislature in 1994. The program is designed to address the lack of educational and economic opportunities for disadvantaged youth. The program, administered by the Department of Employment Security (ESD), provides basic educational skills training, specialized job training in the construction industry, work experience, and leadership skills for disadvantaged youth that have not completed high school.

**Summary of Bill:** Businesses are required to maintain a pooled interest-bearing account for the deposit of sales tax on each taxable sale within five business days of the sale. The tax and interest earned on the pooled account must be paid to the DOR on the 25th day of the month following the tax period in which the purchase was made. The rate of interest on the pooled account cannot be less than the interest rate on a certificate of deposit with a term of 30 days.

The Investments in Washington's Future Fund (IWFF) is created in the state treasury. The DOR is directed to make deposits of interest earned on the businesses' pooled accounts into the fund. Monies in the fund are disbursed as follows: (1) 10 percent to the state's Basic Health Plan; (2) 10 percent for statewide tourism promotion activities through the CTED; (3) 5 percent to the Washington Youthbuild program in the ESD; (4) 5 percent to establish and operate the state's foreign trade offices through the CTED; (5) 20 percent for technology grants; and (6) 50 percent for grants to develop youth sports fields.

Technology Grants. A technology grant program is created in the CTED. The CTED is directed to distribute grants, on a competitive basis, to school districts to acquire K-12 classroom computer hardware, software, and online access services and equipment. School districts must submit proposals for grants to CTED.

School districts are required to have either an ongoing program that emphasizes specific approaches to technology-assisted learning, or is identified by the Center for the Improvement of Student Learning based on best practices, and the school district has plans and means for evaluating the improvement in student learning as a result of technology-based strategies of the school district.

Youth Sports Fields. A youth sports field grant program is created in the (CTED). The CTED may distribute grants to eligible organizations to assist in the acquisition, development, and maintenance of sports fields for youth activities.

Eligible organizations must be a community-based nonprofit organization that is recognized by the local government and is organized under federal or state law.

Eligible organizations must submit proposals for grants to the CTED. The CTED may award grants up to \$300,000 to acquire, develop, or maintain sports fields for youth activities.

**Appropriation:** None.

**Fiscal Note:** Requested on February 25, 1997.

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

**Testimony For:** Businesses collect state and local sales tax on behalf of the state. By using better money management techniques, the state's resources are increased without a tax increase. The state should expand the list of eligible users to include metro park districts. There is a need to expand the state's Basic Health Plan. Any effort to put additional funding toward this will help meet the basic health needs of the residents.

**Testimony Against:** None.

**Testified:** Representative Van Luven, prime sponsor (pro); T.K. Bentler, Metro Park District of Tacoma (pro); and Majken Ryherd-Keira, Friends of the Basic Health Plan (pro).