

January 28, 1998

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 2567 - Providing funding for regional convention,
conference, or special events centers.**

BACKGROUND:

The state of Washington's tax structure includes a retail sales and use tax. A retail sales tax is imposed on the sale of tangible personal property and certain services purchased at retail. In general, the tax applies to goods, construction including labor, repair of tangible personal property, lodging of less than 30 days, telephone service, participatory recreational activities, and some personal and professional services. The state also imposes a use tax on items used in the state, where the acquisition was not subject to the retail sales tax. These include purchases made in other states, purchases where the seller does not collect sales tax, and items produced for use by the producer.

The state's retail sales and use tax is based on 6.5 percent of the selling price or value of the article. Local governments may also impose an additional retail sales and use tax up to 2.1 percent, depending on the location, of the taxable event. The combined state and local retail sales and use tax rates currently range from 7.0 percent to 8.6 percent.

SUMMARY:

The legislative authority of a city with a population of more than 100,000 that is located in a county with a population of more than 300,000 but less than 1 million may impose a retail sales tax or use tax on all taxable events in the city. The rate of tax may not exceed 0.2 percent of the selling price or the value of the article. The local 0.2 percent tax is deducted from the state's 6.5 percent retail sales or use tax on the same taxable events.

The local tax revenue must be used only to pay principal and interest payments on bonds issued by the city to construct a regional convention, conference, or special events center. No tax may be collected before August 1, 1998. The tax must expire when the bonds issued for the construction of the project are retired, but not later than 20 years after the tax is first collected.

Appropriation: None.

Fiscal Note: Requested January 21, 1998.

Effective Date: The bill takes effect July 1, 1998.