February 15, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing, and Trade

FROM: Jean Ann Quinn, Counsel (786-7310)

RE: HB 1478 - Revising the distressed county local option sales and use tax for public assistance.

Brief Summary of Bill

- Increases the local option sales and use tax in distressed counties for financing public facilities to 0.08 percent.
- Defines the public facilities that qualify for funding by local tax receipts.
- Includes within the definition of distressed county those counties with a median household income less than 75 percent of the state median household income.

BACKGROUND:

The state of Washington has developed various incentives designed to assist in job creation or retention in economically distressed areas. In 1997, the Legislature enacted 2SSB 5740 that, in addition to other provisions, authorized a distressed county to impose a local sales and use tax of up to 0.04 percent. This tax is deducted from the amount of sales and use tax otherwise required to be collected or paid over to the state. Amounts collected from this tax are to be used for financing public facilities.

A distressed county is one in which the average unemployment rate for the three years before the first year this tax is imposed exceeds the average state unemployment rate by 20 percent.

SUMMARY:

The local option sales and use tax in distressed counties for financing public facilities is increased from 0.04 percent to 0.08 percent. The term public facilities– is defined to mean bridges, roads, domestic and industrial water, sanitary sewer, storm sewer, railroad, electricity, natural gas, buildings or structures, and port facilities, in the State of Washington. In addition, public facilities funded by the local tax receipts must be listed in the officially adopted county overall economic development plan or the economic development section of the comprehensive plan for those counties planning under the Growth Management Act. For those counties not under the Growth Management Act and that do not have an adopted economic development plan, the public facility must be listed in the county's capital facilities plan.

A distressed county includes a county that has a median household income less than 75 percent of the state median household income for the three years prior to the first year this tax is imposed.

All local ordinances imposing a tax under the authority of this legislation must meet the above requirements.

Appropriation: None.

Fiscal Note: Requested February 11, 1999.

Effective Date: January 1, 2001.