February 23, 1999

BILL ANALYSIS

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

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: HB 1689 - Providing tax incentives to rural counties.

Brief Summary of Bill

- Increases the distressed county local sales and use tax from 0.04 percent to 0.08 percent.
- Defines a qualified public facility that can be financed with proceeds from the 0.08 percent sales and use tax.

BACKGROUND:

In 1997, the Legislature passed legislation to allow a distressed county to impose a 0.04 percent local sales and use tax on all retail sales in the county. The tax is credited against the state's 6.5 percent sales and use tax, therefore the consumer does not see an increase in the amount of tax paid. Revenues from the distressed counties local option sales and use tax must be used to finance public facilities. The legislation did not define a public facility. A distressed county is defined as a county with an average unemployment rate that exceeds the state's average unemployment rate by 20 percent for the previous 3-year period.

SUMMARY:

The distressed county local option sales and use tax is increased from 0.04 percent to 0.08 percent. The revenues can only be used for qualified public facilities that are listed in the economic development section of the comprehensive plan of counties planning under the state's Growth Management Act or the county's capital facilities plan for those counties not planning under the state's Growth Management Act.

A public facility is defined as a project of a local government for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of bridges, roads, domestic and industrial water, flood control, earth stabilization, sanitary sewer, storm sewer, railroad, electricity, natural gas, telecommunications, buildings or structures, and port facilities necessary for job creation, retention, or expansion.

<u>Appropriation:</u> None.

<u>Fiscal Note:</u> Requested February 19, 1999.

<u>Effective Date:</u> Ninety days after adjournment of session in which bill is passed.