HOUSE BILL ANALYSIS
HB 2921

Title: An act relating to public facility infrastructure development.

Brief Description: Concerning a sales and use tax enacted by an Indian tribe to finance public facilities.

Sponsors: Representatives Dunn, Morris, Van Luven, Veloria and Santos.

Brief Summary of Bill

- Allows federally recognized Indian tribes to impose a 0.08 percent local retail sales and use tax on transactions on Indian trust lands or Indian reservations with the tax credited against the state's retail sales and use tax.

- Requires the revenue to be used to finance public facilities on Indian trust lands or Indian reservations.

HOUSE ECONOMIC DEVELOPMENT, HOUSING & TRADE COMMITTEE

Staff: Kenny Pittman (786-7392)

Background:

In 1997, legislation was enacted to allow a distressed county to impose a 0.04 percent local option retail sales and use tax. The tax is imposed on retail sales within the county and the use of items used within 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. Revenue from the distressed counties' local option sales and use tax must be used to finance public facilities.

In 1999, the Legislature revised the distressed counties local option retail sales and use tax and targeted it to rural counties. A rural county is defined as a county with a population density with less than 100 people per square mile. (Thirty-one counties are eligible for this local option sales and use tax.) The tax rate was increased from 0.04 percent to 0.08 percent. The revenues can only be used for public facilities that are listed as an item in the county's overall economic development plan, or the economic development section of the county's comprehensive plan, or the comprehensive plan of a city, or the county's or city's capital facilities plan.

A public facility is defined as bridges; roads; domestic and industrial water, sanitary sewer, and storm sewer facilities; earth stabilization; railroads, electricity; natural gas; buildings and structures; telecommunications, transportation, and commercial infrastructure; and port facilities.

A sales and use tax is imposed on most tangible personal property and some services. The retail sales tax is based on the selling price of tangible personal property and certain services. The use tax is applied on items used in the state there were the acquisition was not subject to retail sales tax and is based on value of the item at the time of the its first use within the state. The combined state and local sales tax rate is between 6 percent and 8.6 percent, depending on the location.

Summary of Bill:

A federally recognized Indian tribe may impose a 0.08 percent local option sales and use tax on taxable events within the reservation or on trust lands. The tax is based on the selling price in the case of a sales tax or the value of the article in the case of a use tax. 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.

Revenue from the tax imposed by tribal governments must be used to finance public facilities on Indian trust land or Indian reservations. An Indian tribe that does not have comprehensive planning process may use the proceeds of the tax to institute a planning process. No tax revenue may be used by the tribe to construct or remodel a commercial building or structure.

Appropriation: None.

Fiscal Note: Requested January 26, 2000.

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