

HOUSE BILL REPORT

HB 1018

As Reported by House Committee On:

Finance

Title: An act relating to tax relief for disasters.

Brief Description: Providing tax relief for disasters.

Sponsors: Representatives Pennington, Mielke, Pearson and Alexander.

Brief History:

Committee Activity:

Finance: 1/18/01, 1/30/01 [DP].

Brief Summary of Bill

- Sales tax exemptions are created for labor and service charges associated with moving houses, demolishing houses, or cleaning up debris in an area that has been declared as a federal landslide disaster area.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos and Veloria.

Staff: Mark Matteson (786-7145).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Charges for labor and services rendered to construct, repair, raze, or move buildings or structures are subject to sales tax. The combined state and local sales tax rate is between 7 and 8.6 percent, depending on location.

On October 16, 1998 President Clinton declared a federal disaster area in regards to a landslide occurring in the city of Kelso. According to Federal Emergency Management Office documents, the landslide is expected to ultimately destroy or make unlivable 137 homes.

Chapter 311, Laws of 1999 provided sales tax relief on labor and service charges associated with moving or demolishing houses or removing debris from a federal landslide disaster area; the act expired July 1, 2000. At the time that the act expired, a vast majority of the houses in the landslide area in Kelso had not yet been moved or demolished. As of January 16, 2001, the city of Kelso had plans to move or demolish a remaining total of 99 houses, to be completed by the latter part of calendar year 2001.

Summary of Bill:

Labor and service charges associated with the following activities are exempt from sales tax:

- Moving houses out of a federal landslide disaster area;
- Demolishing houses located in a federal landslide disaster area; and
- Removing debris from a federal landslide disaster area.

These sales tax exemptions expire on July 1, 2003.

Appropriation: None.

Fiscal Note: Requested on January 12, 2001.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The Legislature previously passed a similar bill to help the city of Kelso. However, that bill had a sunset clause in it. Because asbestos abatements resulted in a delay of the project, the Legislature needs to reauthorize the exemption.

To date, only 25 of the houses have been demolished and removed. The city of Kelso will go out to bid in April 2001 for the removal of the remainder of the homes above the scarp line. Later in the year the project will be completed with the removal of the 49 houses below the scarp line. To date we have expended \$176,000 on this project. This situation was not forecasted, and we ask for your support on this bill.

Testimony Against: None.

Testified: Representative Pennington, prime sponsor; and Doug Robinson, city of Kelso.