HOUSE BILL REPORT
HB 2465

As Reported by House Committee On:
Trade & Economic Development

Title: An act relating to defining rural counties for purposes of sales and use tax for public facilities.

Brief Description: Defining rural counties for purposes of sales and use tax for public facilities.

Sponsors: Representatives Sehlin, Barlean and Kessler.

Brief History:
Committee Activity:
Trade & Economic Development: 1/29/02, 2/4/02 [DP].

Brief Summary of Bill

- Modifies the definition of rural county– under the 0.08 percent local option sales and use tax for public facilities in rural counties to include a county that is less than 225 square miles in size.
- Requires that public facilities financed under the 0.08 percent local option sales and use tax must be for private sector job creation or retention activities.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 5 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Chase, Fromhold and Gombosky.

Minority Report: Do not pass. Signed by 4 members: Representatives Van Luven, Ranking Minority Member; Ahern, Dunn and Mulliken.

Staff: Kenny Pittman (786-7392).

Background:

In 1997 the Legislature authorized a local option sales and use tax for public facilities in distressed counties. A distressed county could impose a 0.04 percent local sales and use tax with the tax being 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. The revenue from the distressed counties’ local option sales and use tax must be used to finance public facilities. A public facility was not defined. A distressed county was defined as a county with an average unemployment rate that exceeds the state’s unemployment rate by 20 percent for the previous three-year period as determined by the employment security department (23- counties were eligible under that definition).

In 1999 the Legislature revised the distressed counties’ local option sales and use tax to be used in rural counties. The Legislature also increased the local option tax rate from 0.04 percent to 0.08 percent for the rural counties. The revenues from the local option sales and use tax must be used to finance public facilities, in a rural county, that are listed as an item on 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 to mean bridges; roads; domestic and industrial water, sanitary sewer, and storm sewer facilities; earth stabilization; railroad; electricity; natural gas; buildings; structures; telecommunications, transportation, and commercial infrastructure; and port facilities. A rural county is defined as county with a population density of less than 100 persons per square mile as determined by the office of financial management (31- counties are eligible for the local option sales and use tax using the rural county definition).

Summary of Bill:

The definition of a rural county– under the local option sales and use tax for public facilities in rural counties is modified to include a county that is smaller than 225 square miles as determined by the Office of Financial Management.

The definition of "public facilities" is modified to mean the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of a public facility that creates or retains private sector jobs.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The need for infrastructure financing to encourage economic development is vital to Island County. The ability to attract and retain jobs will help diversity the county’s employment base and provide additional employment opportunities for the residents. This program has been successful in creating private sector jobs in the state’s other rural counties. The proposed changes will only strengthen the programs ability to create or retain private sector jobs.

Testimony Against: None.

Testified: Representative Sehlin, prime sponsor; Mike Shelton, Island County Commissioner; and Ron Newbry, Washington Economic Development Association.