

# SENATE BILL REPORT

## SB 5082

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As Passed Senate, March 13, 2002

**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 in rural counties.

**Sponsors:** Senators Haugen, T. Sheldon, Rasmussen and Gardner.

**Brief History:**

**Committee Activity:** Economic Development & Telecommunications: 1/24/01, 2/6/01 [DP].

Ways & Means: 2/20/01, 3/26/01 [DP]; 3/4/02 [DP].

Passed Senate: 4/5/01, 49-0.

**First Special Session:** Passed Senate: 5/23/01, 43-0.

**Second Special Session:** Passed Senate: 6/19/01, 43-0.

Passed Senate: 3/13/02, 44-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kohl-Welles, Long, Parlette, Rasmussen, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** In 1997, the Legislature permitted distressed counties to impose a local option sales and use tax of 0.04 percent on all retail sales in their counties. 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 local option sales and use tax are used to finance public facilities such as bridges, roads, and sewer facilities.

In 1999, the Legislature increased the local option sales and use tax to 0.08 percent and changed the definition of "distressed counties" to "rural counties."

Rural counties have population densities of less than 100 persons per square mile. Each year the Office of Financial Management determines which counties are eligible for rural county status. There are currently 31 rural counties.

**Summary of Bill:** The definition of "rural county" is expanded to include counties that are smaller than 225 square miles. Island County and San Juan County are the only two counties that meet this requirement. (San Juan County already qualifies under the population density criteria.)

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For (Economic Development & Telecommunications):** Island County is rural in character. The great majority of its residents live in unincorporated county areas. The county's transportation system is made up of two ferries, two bridges, three two-lane state roads, and a small commuter flight service into SeaTac. It is ranked 30th in taxable retail sales per capita. Its average number of employees per business is eight, and its average wages are 33 percent below the state average. The county is a commuter community which creates heavy commuter traffic. Island County needs to build up its public infrastructure to attract new businesses and increase sales tax revenues.

**Testimony Against (Economic Development & Telecommunications):** None.

**Testified (Economic Development & Telecommunications):** Ron Newbry, Wash. Econ. Dev. Assn (pro); Tom Shaughnessy, Island Dist. Econ. Dev. Council (pro); Mike Shelton, Island County Commissioner (pro).

**Testimony For (Ways & Means):** Island county is not an urban county. It is a commuter community without many jobs on the island. This bill will help develop the island economy.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** Suzanne Sinclair, Island County (pro).