HOUSE BILL REPORT
SSB 6113

As Passed House:
March 3, 2004

Title: An act relating to the use of rural county sales and use tax proceeds.

Brief Description: Modifying the rural county sales and use tax.

Sponsors: By Senate Committee on Economic Development (originally sponsored by Senators T. Sheldon, Swecker, Haugen, Zarelli, Rasmussen and Benton).

Brief History:
Committee Activity:
Trade & Economic Development: 2/24/04, 2/26/04 [DP].
Floor Activity:
Passed House: 3/3/04, 96-0.

Brief Summary of Substitute Bill

- Clarifies the purpose of the rural county sales and use tax is revenue to finance public facilities projects that promote economic development.
- Requires an annual report to the Office of the State Auditor by the rural counties of all projects funded by the revenue of the rural county sales and use tax during the prior fiscal year.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 13 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Skinner, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Blake, Chase, Condotta, Kristiansen, McCoy, Ormsby, Pettigrew, Priest and Rodne.

Staff: Tracey Taylor (786-7196).

Background:

The legislative authority of a rural county may impose a local sales and use tax of up to 0.08 percent. The tax is credited against the state's 6.5 percent sales and use tax and is not experienced as an additional tax by the consumer. An eligible county must have an average population density of less than 100 residents per square mile. The tax revenue may only be used for the financing of public facilities, such as street improvements, bridges, and water and sewer systems, that are listed in the local economic development, comprehensive or capital facilities plan. Once a county qualifies and the tax has been levied, it may continue for up to 25 years.

Summary of Bill:

The original goal of the 1997 act creating the rural county sales and use tax is reaffirmed. The Legislature finds that the continuing goal is the creation, attraction, expansion, and retention of businesses and providing family wage jobs.

The revenue collected from the imposition of the rural sales and use tax may only be used for financing public facilities that serve an economic development purpose in a rural county.

In addition to consulting cities, towns and port districts within the county, the county must also consult with the associate development organizations serving the county to ensure that the legislative goals of the tax are met.

By October 1 each year, the county must report to the Office of the State Auditor a list of new projects from the prior fiscal year. The county must show that the projects meet the goals of the tax. Any projects financed prior to the effective date of the new act are not considered new projects for the purposes of the report.

Economic development purposes are defined as these purposes that facilitate the creation or retention of businesses and jobs in a county.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The 0.08 percent rural sales and use tax has been a successful tool for economic development. Overall, the revenue from the tax has been used for great infrastructure projects, but there are a few uses that have questionable economic development purposes. This bill tightens up the language of the statute to ensure that this excellent program continues to be used for projects that create jobs and grow businesses.

(Neutral) No real need for the legislation as what may appear as a questionable use of the tax revenue could have a huge impact locally on the economy.

Testimony Against: None.

Persons Testifying: Senator T. Sheldon, sponsor; Ron Newbry, Washington Economic Development Association; Scott Taylor, Washington Public Ports Association; and Paul Parker, Washington Association of Counties.

Persons Signed In To Testify But Not Testifying: None.