

HOUSE BILL REPORT

HB 1543

As Amended by the Senate

Title: An act relating to financing economic development officers.

Brief Description: Authorizing the use of local retail taxes to finance economic development officers.

Sponsors: By Representatives Buri, Grant, Dunshee, Ahern, Hailey, Pettigrew, Kretz, Bailey, Linville and Moeller.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/29/07, 2/21/07 [DP].

Floor Activity:

Passed House: 3/7/07, 91-4.

Senate Amended.

Passed Senate: 4/3/07, 45-2.

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| <p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes the revenues from the optional 0.08 percent local sales and use tax for rural counties to be used for the employment of economic development officers. |
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HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

Staff: Tracey Taylor (786-7196).

Background:

Sales and Use Tax

Washington levies a sales tax on the selling price of tangible personal property and certain services purchased at retail. This includes goods, construction including labor, repair of tangible personal property, lodging for less than 30 days, and some personal and professional

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services, such as landscape maintenance and physical fitness. The state retail sales tax is 6.5 percent. The state sales tax is collected from purchasers by retail vendors at the time of sale using the tax rate schedules provided by the Department of Revenue (DOR). Total transactions are reported in the seller's combined excise tax return (CETR) and receipts are forwarded to the DOR on a monthly or quarterly basis. In Fiscal Year 2004, the state retail sales tax generated \$5.791 billion in revenue.

For items used in Washington, but the acquisition of which was not subject to the Washington retail sales tax, the Washington use tax is applied. This includes purchases made from out-of-state sellers, including catalog and Internet purchases, purchases from sellers who are not required to collect sales tax, items produced for use by the producer, and gifts and prizes. The tax is measured by the value of the item at the time of the first use within Washington, excluding any delivery charges. The state use tax rate is the same as the state retail sales tax 6.5 percent just as the state taxes the sale of tangible personal property and some services purchased at retail, cities and counties may levy a local sales and use tax. State law currently authorizes 17 different types of local sales and use taxes. There is: a basic 0.5 percent tax for cities and counties; an optional tax of up to 0.5 percent for cities and counties; three local taxes for the support of transportation programs; a tax of up to 1 percent to fund high capacity transportation; two taxes for funding criminal justice or public safety programs; taxes of 0.1 percent each for public facilities, juvenile correctional facilities, zoos, and emergency communications facilities; two state-credited taxes to finance professional sports stadiums; and two state-credited taxes to support rural counties and regional centers.

Optional Rural Counties Sales and Use Tax

Rural counties are authorized to impose a local sales and use tax of up to 0.08 percent. Eligible counties are those with an average population density of less than 100 residents per square mile or one that is smaller than 225 square miles. Currently, 32 counties qualify under this definition and all are currently levying the tax. The revenues from this tax must only be used for the financing of public facilities for economic development purposes. These include street improvements, bridges, and water and sewer systems. This is not an additional tax on consumers and does not alter the overall sales and use tax rate in a locality. Rather, the receipts collected are credited against the state's 6.5 percent tax. Once the tax is levied, it may continue for up to 25 years.

Summary of Bill:

Revenues generated by the local sales and use tax for economic development facilities may also be used for the employment of economic development officers. An economic development officer is defined as a person employed by a county or associate development organization, who promotes economic development purposes within the county.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment expands the types of employees whose employment may be funded through the tax revenues to include economic development office staff. The Senate amendment also expands the eligible employers of the economic development staff to include port districts. In addition, the Senate amendment requires annual reports to the State Auditor within 150 days of the close of each fiscal year regarding information on expenditures made on projects in the previous years.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) This bill provides some flexibility for our rural counties by allowing the revenues from the rural county .08 percent tax for economic development to be used for economic development officers. A state audit discovered that several rural counties were using these tax revenues to pay for economic development officers. Without this bill authorizing these funds to be used, these counties cannot afford to have an economic development officer. Obviously, there is a wide range of needs amongst our rural counties. This bill provides a valuable opportunity for the local government to put the tax revenues to use in the best manner to attract and promote economic development in a community. A community does not need infrastructure until the development is attracted and this is exactly what an economic development officer does -- generates economic development opportunities.

(Opposed) None.

Persons Testifying: (In support) Representative Buri, prime sponsor; Julie Murray, Washington State Association of Counties; Bill Lotto, Lewis County Economic Development Council; Ginger Eagle, Washington Public Ports Association; and Jim Potts, Rural Counties.

Persons Signed In To Testify But Not Testifying: None.