

FINAL BILL REPORT

HB 1543

C 250 L 07

Synopsis as Enacted

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

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

House Committee on Community & Economic Development & Trade
Senate Committee on Economic Development, Trade & Management

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 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 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. Thirty-two counties qualify under this definition and all are 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. Each participating county reports to the State Auditor by October 1, listing projects from the prior year.

Summary:

Revenues generated by the local sales and use tax for economic development facilities may also be used for the personnel of an economic development office. An economic development office is defined as an office of a county, port district, or associate development organization, which promotes economic development purposes within the county.

In addition, the county annual report to the State Auditor is required within 150 days of the close of a fiscal year. The report must include information on expenditures made on projects in prior years.

Votes on Final Passage:

House	91	4	
Senate	45	2	(Senate amended)
House	88	5	(House concurred)

Effective: July 22, 2007