
**Community & Economic
Development & Trade Committee**

HB 2271

Brief Description: Authorizing forest products operations of statewide significance.

Sponsors: Representatives Orcutt, Newhouse, Armstrong, Dunn, Kristiansen, Schindler and Skinner.

Brief Summary of Bill

- Creates the designation of a forest products operation of statewide significance.
- Provides a sales and use tax exemption for sales and rentals of materials necessary for the construction and operation of forest products operations of statewide significance.
- Provides a license fee exemption for trucks used primarily for hauling logs to forest products operations of statewide significance.

Hearing Date: 2/26/07

Staff: Tracey Taylor (786-7196).

Background:

Industrial Projects of Statewide Significance

In 1997, the Legislature created a process to expedite the development of industrial projects of statewide significance. These projects include: a border crossing project that involves both public and private investments; a private capital investment in manufacturing or research and development; a project in rural counties with 50 or more projected full-time, post-construction employment positions; and a project in an urban county with 100 or more projected full-time, post-construction employment positions. There is a minimum capital investment required depending on the size of the county. The capital investment requirements range from \$20 million for a project located in a county with a population of 20,000 or less, to \$1 billion for a project located in a county with a population greater than one million. In addition, the Director of the

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Department of Community, Trade and Economic Development (DCTED) may designate a project that does not meet the normal criteria as a project of statewide significance in special circumstances.

In order to qualify as an industrial project of statewide significance, an application for the development project must be submitted to the DCTED. The application must include the location of the project, the applicant's average employment in the state in the prior year, estimated new employment related to the project, estimated wages of the employees related to the project, and an estimated time schedule for completion and operation. The application must also be accompanied by a letter of approval from the legislative authority of any jurisdiction that will have the proposed industrial project within its boundaries.

The DCTED must assign an ombudsman to each project of statewide significance to assemble a team of state and local government, and private officials to help meet the project's planning and development needs. Counties and cities with projects designated as industrial projects of statewide significance must enter into agreement with Office of Permit Assistance (OPA) and the project managers of such projects in order to expedite the process. This agreement must require expedited permit processing for the project's design and construction, expedited environmental review processing, expedited processing of requests for street, right of way, or easement vacations necessary for the project's construction, and any other requirements as designated by the OPA. The OPA must provide facilitation and coordination services to industrial projects of statewide significance.

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.

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.

Growth Management Act

The Growth Management Act (GMA or Act) is the comprehensive land use planning framework for county and city governments in Washington. Enacted in 1990 and 1991, the GMA establishes numerous requirements for local governments obligated by mandate or choice to fully plan under the Act (planning jurisdictions) and a reduced number of directives for all other counties and cities. Twenty-nine of Washington's 39 counties, and the cities within those counties, are planning jurisdictions.

The GMA directs planning jurisdictions to adopt internally consistent comprehensive land use plans, which are generalized, coordinated land use policy statements of the governing body. Comprehensive plans must address specified planning elements, each of which is a subset of a comprehensive plan. Planning jurisdictions must also adopt development regulations that implement and conform with the comprehensive plan.

License Fees on Trucks, Buses and For-Hire Vehicles

In lieu of other vehicle licensing fees, owners of trucks, motor trucks, truck tractors, road tractors, tractors, buses, auto stages, or for-hire vehicles with a seating capacity of more than six, shall pay an annual fee based on the declared gross weight according to a statutory schedule. If a vehicle is used exclusively for hauling logs or if it does not tow a trailer, the owner will pay according to Schedule A, which ranges from \$40.00 for a 4,000 pound gross weight vehicle to \$3,312.000 for a 105,500 pound gross weight vehicle. If a vehicle is not covered by Schedule A or tows a trailer, the owner will pay according to Schedule B, which ranges from \$40.00 for a 4,000 pound gross weight vehicle to \$3,402.00 for a 105,500 pound gross weight vehicle.

Summary of Bill:

A new designation is created for projects of statewide significance: a forest products operation of statewide significance. This is defined as an industrial operation that processes or mills only timber that has been harvested from public or private lands within Washington and has received certification of statewide significance from the DCTED. In order to qualify, an operation must be wholly new and may not have begun the processing or milling of timber before the effective date of the act.

Counties and cities with projects designated as forest products operations of statewide significance, along with any appropriate state agencies with permitting authority or requirements, must enter into an agreement with the OPA and the forest products operation of statewide significance's project manager to expedite the completion of the forest products operation of statewide significance. This agreement must guarantee that any necessary permits for the construction or operation will be granted within 90 days of application. If the permit is not granted by the end of the 90 day period, then a permit with no conditions or modifications must automatically be issued by the city, town, county, or state agency.

The state sales and use tax does not apply to the sales or rentals of building materials, construction equipment, timber processing machinery, office equipment, or other purchases deemed necessary by the project manager of a forest products operation of statewide significance so long as it necessary for the construction and operation of a forest products operation of statewide significance.

The siting or operation of a forest products operation of statewide significance is not subject to the GMA provisions.

Trucks used primarily for hauling logs to a forest products operation of statewide significance shall be considered to be zero pounds for the purposes of calculating the truck's vehicle license fees.

Appropriation: None.

Fiscal Note: Requested on February 20, 2007.

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