Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Community & Economic Development & Trade Committee

HB 3034

Brief Description: Encouraging private investment in port terminal facilities by providing tax incentives to local governments.

Sponsors: Representatives Linville, Bailey, Ericksen, Flannigan, Darneille, Seaquist, Pettigrew and Kelley.

Brief Summary of Bill

- Defines a qualified port terminal as a facility for cargo related maritime activities constructed after the effective date of the act and reasonably estimated to cost at least $150 million to construct.
- Authorizes the distribution of state sales and use tax revenues generated by qualified port terminal construction to a city or county for use exclusively on terminal related public infrastructure.
- Provides an application process through the Department of Community, Trade and Economic Development and a revenue distribution process through the Department of Revenue.

Hearing Date: 1/31/08

Staff: Meg Van Schoorl (786-7105).

Background:

Washington ports are municipal corporations that have specific powers granted under state law. Ports are authorized to levy property taxes and typically use revenues generated to pay for capital development such as marine terminals, industrial parks, infrastructure, and airport facilities. Ports also may issue municipal bonds for use on capital construction projects, repaying the bonds with property tax revenues. Ports may also issue revenue bonds which are guaranteed by the revenues

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generated by a specific project. Ports buy, lease and sell personal and real property; build and operate facilities such as docks, warehouses, elevators, fishing terminals; develop lands for industrial and commercial purposes; enter into public works contracts; establish and operate foreign trade zones. Ports pay sales taxes on their purchases and also pay a business and occupation tax on services they provide to their customers. Businesses who lease port property pay a leasehold tax.

Summary of Bill:

The purpose of this act is to develop the state's shipping and freight industry by encouraging private investment in port terminal facilities.

A "qualified port terminal" is a facility for cargo related maritime activities constructed after the effective date of the act and reasonably estimated to cost at least $150 million to construct.

State sales and use taxes on tangible personal property and labor and services used in the construction of a qualified port terminal will be distributed to the county or city within which a qualified port terminal is located. The tax revenues may only be used for public infrastructure needs related to the qualified port terminal.

To receive distributions, the city or county must apply to the Department of Community, Trade and Economic Development (DCTED) before port terminal construction begins. The application must verify that the port terminal construction costs are estimated to exceed $150 million and give an expected construction completion date. The Department must rule on the application within 45 days.

The city or county must also submit an expenditure plan to the Department within 120 days of submitting the application. The plan must be developed in consultation with governments, public and private entities in close proximity to the proposed project. The Department must report any deficiencies in the plan to the county or city within 90 days of submittal.

The Department of Revenue (DOR) must distribute funds at no cost to the city or county receiving them by July 1 of the state fiscal year following the fiscal year when construction began. The DOR may not distribute funds for construction occurring after the date of completion noted in the application, but DOR can consult with DCTED and extend the date of completion for good cause.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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