

SENATE BILL REPORT

E2SSB 5557

As Amended by House, April 20, 2007

Title: An act relating to public facilities for economic development purposes.

Brief Description: Concerning public facilities for economic development purposes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hargrove, Prentice, Zarelli, Hatfield, Brandland, Brown, Poulsen, Pridemore and McAuliffe).

Brief History:

Committee Activity: Economic Development, Trade & Management: 2/09/07, 2/23/07 [DPS-WM].

Ways & Means: 3/01/07, 3/05/07 [DP2S].

Passed Senate: 4/02/07, 46-0.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 5557 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5557 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Roach, Rockefeller and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

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.

Rural counties may impose a local option sales and use tax of 0.08 percent. The tax is deducted from the state's 6.5 percent sales and use tax and, thus, the consumer does not see an increase in the amount of the tax paid. Revenues from this local option tax may only be used to finance public facilities serving economic development purposes.

"Rural counties" are defined, for purposes of the tax credit, as a county with a population density of less than 100 persons per square mile, or smaller than 225 square miles.

Summary of Engrossed Second Substitute Bill: The 0.08 percent rural county sales and use tax used for economic development is increased to 0.1 percent. Counties collecting the tax are required to provide yearly reports to the State Auditor within 150 days after the close of each fiscal year. The reports will include information on expenditures made on projects begun in prior years. Monies from the credit may not be used to fund judicial system facilities.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony (Economic Development, Trade & Management):

PRO: The rural 0.08 money is very flexible. The bill will allow the same mechanism for other counties. This allows the locals to decide how to spend development money. The 0.08 funds have leveraged other funds and allows counties to act quickly.

Persons Testifying (Economic Development, Trade & Management): PRO: Senator Hargrove, prime sponsor; Julie Murray, Washington Association of Counties; Gary Nelson, Port of Grays harbor; Michael Tracy, Grays Harbor Economic Development Council; Bill Lotto, Lewis County Economic Development Council; Al Carter, Grays Harbor County; James McMahan, Washington Economic Development Association; Tami Garrow, Satsop Development Authority.

Staff Summary of Public Testimony (Ways & Means): PRO: We support this bill. These credits have been very successful. If you are changing the eligibility requirements, we suggest using distressed county figures. We would like to see the prohibition on tourist and sports facilities removed. The employment qualifications don't work in the bill as most of the projects are items like water systems and fiber optics that don't necessarily create employment.

Persons Testifying (Ways & Means): PRO: Julie Murray, Association of Washington Counties.

House Amendment(s): The 0.08 percent rural county sales and use tax is increased to 0.09 percent.