SENATE BILL REPORT
SB 5925

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 23, 2007

Title: An act relating to the sales and use tax for public facilities in rural counties.

Brief Description: Adjusting the sales and use tax for public facilities in rural counties.

Sponsors: Senators Sheldon, Clements, Swecker, Schoesler, Shin, Haugen, Delvin and Rasmussen.

Brief History:
Committee Activity: Economic Development, Trade & Management: 2/14/07, 2/23/07 [DPS-WM].
Ways & Means: 3/01/07.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 5925 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

Staff: Dean Carlson (786-7305)

Background: 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.

Counties imposing the tax must make yearly reports, no later than October 1, on new projects, showing that the funds have been used as required.

"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 Bill: The rate of the rural county local option sales and use tax is increased to 0.15 percent.

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.

The yearly reports are due within 150 days after the close of each fiscal year. The reports will include information on expenditures made on projects begun in prior years.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Economic Development, Trade & Management): The increased tax rate is allowed only in those rural counties with poverty rates 20 percent higher and median household income 20 percent lower than the state's. Public facilities may not be funded for a retail shopping development or expansion; a tourist or sports facility; or a gambling facility. Public facilities may not be funded for projects that will cause sprawl.

Economic development purposes means those purposes which facilitate the creation or retention of businesses and the creation or retention of jobs with health benefits and with hourly wages that exceed the countywide median hourly wage.

Appropriation: None

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Economic Development, Trade & Management): PRO: The 0.08 set-aside has generated some wonderful projects in rural areas. This allows counties to be in charge of their own destinies. This will fill the gap between other funds. The current law has been a useful tool providing industrial water lines, fiber optic installations, and warehouses.

Persons Testifying (Economic Development, Trade & Management): PRO: Senator Sheldon, prime sponsor; Julie Murray, Washington State Association of Counties.

Staff Summary of Public Testimony (Ways & Means): PRO: The current rural county distribution of 0.08 percent is the most important funding for rural county economic development. Increased funding would be very important for rural counties. In previous years, similar methods to the one in this bill were used to determine eligibility and it was tough to determine who was in and who was out. I think you should use the current definition, and not make it harder to use the funds. 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: Senator Sheldon, prime sponsor; Julie Murray, Washington Association of Counties.