SENATE BILL REPORT
SB 6290

As of February 7, 2008

Title: An act relating to phasing out property tax levies for ports in counties with large populations.

Brief Description: Phasing out property tax levies for ports in counties with large populations. REVISED FOR SUBSTITUTE: Phasing out property tax levies for ports in counties with gross operating revenues.

Sponsors: Senators Oemig and Roach.

Brief History:
Committee Activity: Government Operations & Elections: 1/31/08.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Staff: Khalia Gibson (786-7460)

Background: Port districts finance long term investments needed for growth with four sources of revenue: taxes, service fees, bonds, and grants or gifts.

The Port District Act, which authorized citizens to form port districts, also authorized a tax levy to finance the district. The current rate at which a port district may levy taxes is forty-five cents per one-thousand dollars of assessed value. In addition, special property tax levies are authorized for dredging, canal construction, and land leveling or filling. These levies cannot exceed the forty-five cents per one-thousand dollar mileage rate.

Most ports use funds generated through the tax levy to pay for capital development such as marine terminal, industrial parks, development of needed infrastructure, and updated airport facilities. Investment in these facilities tends to attract and retain business in the region.

Ports pay sales taxes on their purchases, and also pay a business and occupation (B&O) tax on services they provide to their customers. Businesses who lease port property pay a leasehold tax, approximately equal to a property tax. Ports collect these taxes on behalf of the state, and the funds are distributed back to state and local governments.

Summary of Bill: The bill as referred to committee was not considered.

SUMMARY OF BILL (Proposed Substitute): Port districts in a county with gross operating revenues of fifty-million dollars or more per year may levy taxes at a decreasing rate, depending on the year of imposition.

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.

For taxes imposed for collection from January 1, 2010 through December 31, 2013, the levy is the lesser of the amount imposed on January 1, 2009, or thirty-five cents per one-thousand dollars of assessed value.

For taxes imposed for collection from January 1, 2014 through December 31, 2016, the levy is the lesser of the amount imposed on January 1, 2013, or twenty-five cents per one-thousand dollars of assessed value.

For taxes imposed for collection from January 1, 2017 through December 31, 2020, the levy is the lesser of the amount imposed on January 1, 2013, or fifteen cents per one-thousand dollars of assessed value.

For taxes imposed for collection from January 1, 2021 through December 31, 2024, the levy is the lesser of the amount imposed on January 1, 2020, or five cents per one-thousand dollars of assessed value.

After December 31, 2025, no levy may be imposed or collected for any port district with gross operating revenues of fifty-million dollars or more per year. However, a port district may continue to levy taxes if they are dedicated to paying the principal or interest on bonds existing as of January 1, 2008.

The proposed substitute changes the eligible port district threshold from port districts in counties with a population of two-hundred-fifty-thousand or more, to port districts in a county with gross operating revenues of fifty-million dollars or more per year.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: CON: One of the core missions of the Port of Seattle is economic development. By investing in our local workforce through the purchase of construction services, the port is annually investing millions of dollars into the state and local economy. A major source of financing for the port's capital projects comes from the ability to assess a small portion of the property tax collected. The port has historically used the taxes collected from the citizens on King County to improve the infrastructure of the port and the community. For every dollar that is paid to a local construction worker, $2 is put back into the local economy. There is nothing in the audit report which refers to the subject matter of this bill. The bill concerns the third runway project, not the audit report. The levy is not used for the third runway project, it is used for the marine division of the ports. The amount of cargo that comes into the ports creates about 2,000 jobs and levies are the bloodlines to keep the docks going. The Port of Seattle helps the entire workforce of King County, and attempts to eliminate their taxing authority will have an unintended consequence of harming the construction workforce. Without funding for the ports to work on reducing particulate emissions through incentive based programs, the share of particulate emissions from port related activities will almost certainly continue to grow. We should let the new board of the Port of Seattle run their course. A new CEO and almost one half of a new board of commissioners will change the culture of the Port of Seattle, and we are already seeing the implementation of some of those changes. Ports should not be dismantled because the Port of Seattle is important to the eastern Washington agricultural industry. More thought needs to be put into this and studies performed before a valid conclusion can be made. The bill seems punitive in nature, and is trying to put the ports into a political environment. Ports are a unique public agency because they play such a major role in the private sector. Governance of the ports is an important discussion, but the governance solutions which are being proposed are not adequate. We need to do something about the findings in the audit reports first.

OTHER: The new commission embraces their responsibilities. Four new commissioners and the new CEO will radically change the way business is conducted at the Port of Seattle. A follow-up plan for the auditor's suggestions is posted on the internet for the public to view. The Port of Seattle set aside $36 million to reduce emissions and to clean up the water. The current port profits are insufficient to build new terminals. If no needed improvements are made, cargo cannot move to the midwest as needed. Cruises bring in $1.4 million in revenue, and if the levies did not exist, the new cruise facilities could not have been built.

Persons Testifying: CON: Gordon Baxter, Jeff Davis, ILWU; Jim Jesernig, Washington State Potato Commission; Dave Frieboth, County Labor Council; Dennis J. McLerran, Puget Sound Clean Air Agency; Chris Elwell, Seattle Building Trades; Bob Franssen, Seattle Building Trades.

OTHER: Bill Bryant, Tay Yoshitani, Port of Seattle.