
Finance Committee

HB 2650

Brief Description: Providing local flexibility with existing revenues during severe economic downturns.

Sponsors: Representatives Springer, Conway, Flannigan, Pettigrew, Dunshee, Ormsby, Appleton, Simpson, Kenney, Ericks and Morrell.

Brief Summary of Bill

- Allows city and county real estate excise taxes to be used for certain maintenance and operation expenditures for capital facilities.
- Allows a city and county real estate excise tax to be used for additional capital facilities.
- Eliminates non-supplant restrictions for various local sales and use taxes and multi-year property tax lid lifts.
- Adds "human services" to the list of permissible expenditures for local criminal justice and public safety sales and use taxes.
- Allows local gambling revenue to be used for any public safety purpose.
- Allows the state-shared hotel-motel tax to be used for maintaining or enhancing tourism, including public safety improvements.

Hearing Date: 1/19/10

Staff: Jeffrey Mitchell (786-7139).

Background:

County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town legislative authorities may also impose an excise tax on each sale of real property within their corporate limits. The rate of this real estate excise tax (REET I) may not exceed 0.25 percent of the selling price. Revenues

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.

generated from REET I must be used for financing qualifying capital projects and for housing relocation assistance. Furthermore, revenue from REET I may not supplant other funds reasonably available for these capital projects.

Counties, cities, and towns that are required to fully plan under the Growth Management Act (GMA) may impose an additional REET on each sale of real property that may not exceed 0.25 percent of the selling price (REET II). Counties that have opted to fully plan under the GMA, and the cities and towns within, may impose REET II with voter approval. With some exceptions, revenues generated from REET II may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA. Furthermore, revenue from REET II may not supplant other funds reasonably available for these capital projects.

Counties may impose a local sales and use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties; however, the receipts are shared with cities: 10 percent goes to the county and the remaining 90 percent is apportioned to county and all cities within the county on the basis of population. The initial imposition of the tax is subject to potential referendum by the voters. Currently, 32 counties are levying the tax.

Subject to voter approval, a county may impose a 0.1 percent local sales and use tax to finance the construction and operation of zoos, aquariums, and wildlife preservation and display facilities, as well as general costs of public parks. The ballot proposition submitted to the voters must be at the joint request of a county with a national park and population between 500,000 and 1.5 million, a metropolitan park district, and a city with a population greater than one hundred fifty thousand. The law requires that one percent of the local receipts for the initial 12 years be transferred to the state Department of Commerce to be used for community-based housing programs for mentally ill persons. Imposed by Pierce County, the tax benefits the zoo and aquarium at Point Defiance Park in Tacoma and the Northwest Trek facility operated by the Pierce County Metropolitan Park District. This tax was authorized by the Legislature in 1999, and collection began in Pierce County on January 1, 2001.

A county public safety sales and use tax was authorized in 2003. Subject to voter approval, counties may impose a tax up to 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice purposes, fire protection purposes, or both. A levying county retains 60 percent of the receipts and the remaining 40 percent is distributed to cities within the county on a per capita basis. The use of tax receipts must be stated in the ballot proposition that goes before the voters. Until calendar year 2010, tax receipts could not supplant (replace) existing funds being used for the purpose of the sales and use tax as provided in the ballot proposition. In 2009, the Legislature amended this non-supplant restriction, allowing counties to partially supplant existing funds until January 1, 2015. The sales and use tax has been implemented in five counties: Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

A county mental health/chemical dependency sales and use tax of 0.1 percent was authorized in 2005. The proceeds of the tax must be devoted to county mental health treatment, chemical dependency, and therapeutic court programs and services. Until calendar year 2010, tax receipts could not supplant (replace) existing funds being used for these programs and services. In 2009, the Legislature amended this non-supplant restriction, allowing counties to partially supplant existing funds until January 1, 2015. The sales and use tax has been imposed in 13 counties:

Clallam, Clark, Island, Jefferson, King, Okanogan, San Juan, Skagit, Snohomish, Spokane, Thurston, Wahkiakum, and Whatcom.

Regular property tax revenue for local governments is restricted to a growth rate of one percent plus new construction. However, voters may approve regular property tax increases above this one percent amount. This voter-approved increase is referred to as a lid lift. A lid lift may be for a single year or for multiple years, not exceeding six years. Multi-year lid lifts must be for a specific purpose, and multi-year lid lift funds may not supplant (replace) existing funds used for the purpose specified in the lid lift ballot proposition. In 2009, the Legislature eliminated this non-supplant restriction for any lid lift ballot proposition approved after July 26, 2009, except in King County, where the non-supplant restriction is eliminated only for ballot propositions approved in calendar years 2009, 2010, or 2011.

Counties, cities, and towns are authorized to impose a tax on gambling activities. Tax rates vary depending upon the type of activity. State law requires any jurisdiction imposing a gambling tax to use the revenue primarily for local gambling enforcement programs.

A "hotel-motel" tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. A local option hotel-motel tax was first authorized in 1967 for King County to build the Kingdome. The rate was two percent, but the tax was credited against the regular state sales tax which is imposed on lodging charges. Therefore, the total amount of tax paid by the consumer was not increased as a result of this tax. Authority to impose a hotel-motel tax was broadened, first in 1970 to include the cities of Tacoma and Spokane, and then in 1973 to include all municipalities (counties, cities, and towns), except some in King and Yakima counties. Thirty-seven counties and 144 cities impose the tax. Generally, hotel-motel taxes must be used solely for the purpose of tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities. King County is a major exception where a number of different uses are allowed.

Summary of Bill:

Cities and counties may use real estate excise taxes (REET I and REET II) for maintenance of capital facilities. Additionally, REET II monies may be used for park operational expenditures. The definition of "capital project" for REET II is expanded to include: parks; recreational, law enforcement, fire protection, water flood control, administrative, and library facilities; and trails.

The non-supplant restrictions are completely eliminated for the following four local sales and use taxes: criminal justice sales and use tax, zoo and aquarium sales and use tax, public safety sales and use tax, and mental health/chemical dependency sales and use tax.

The non-supplant restrictions for property tax multi-year lid lifts are completely eliminated.

The list of eligible expenditures for the public safety sales and use tax and the criminal justice sales and use tax are expanded to include human services.

The permitted uses of local gambling taxes are expanded to include any public safety purpose.

The permitted uses of state-shared hotel-motel taxes are expanded to include expenditures for maintaining or enhancing tourism, which specifically includes public safety improvements.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for Section 3, which takes effect June 30, 2012, and Sections 7 and 9, which take effect January 1, 2015.