SENATE BILL REPORT
SHB 2933

As of February 18, 2010

Title: An act relating to modifying sales and use tax provisions for the local infrastructure financing tool program.

Brief Description: Modifying sales and use tax provisions for the local infrastructure financing tool program.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ericks, Morrell and Dammeier).

Brief History: Passed House: 2/13/10, 90-4.
Committee Activity: Economic Development, Trade & Innovation: 2/18/10.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Karen Campbell (786-7448)

Background: Under the Local Infrastructure Financing Tool (LIFT) program, state sales taxes collected within a sponsoring jurisdiction are diverted to the jurisdiction for the purpose of funding public improvements within a designated revenue development area. A sponsoring jurisdiction can be a city, town, county, or federally recognized Indian tribe. The maximum state contribution that a sponsoring jurisdiction can receive each year is limited to the lesser of: (1) $1 million; (2) the amount of local matching funds dedicated to payment for the public improvements in the preceding calendar year; or (3) the amount of the LIFT award approved by the Community Economic Revitalization Board (CERB). State sales taxes cannot be diverted for more than 25 years. Sponsoring local governments must issue bonds by the end of the fifth fiscal year that the taxes have been diverted.

Sponsoring jurisdictions that have been approved by CERB to use the LIFT may impose a local sales and use tax. No tax may be imposed: (1) before July 1, 2008; (2) before July 1 of the second calendar year following CERB approval; and (3) before the state excise tax allocation revenues and state property tax allocation revenues for the preceding calendar year equal or exceed the amount of the project award approved by CERB. The proceeds may only be used for the payments of principal and interest on the bonds issued for the public improvements financed through the local infrastructure financing. This tax expires when bonds issued are retired, but not more than 25 years after being imposed.

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 maximum statewide contribution for all LIFT projects is capped at $7.5 million per year ($2.5 million for demonstration projects and $5 million for competitive projects). Nine projects have been awarded under the LIFT program. Three of them are demonstration projects designated by the Legislature: Bellingham ($1 million), Vancouver ($500,000), and Spokane County ($1 million). Six of them were approved through two competitive application processes administered by CERB: in 2007 Bothell ($1 million), Everett ($500,000), and Federal Way ($1 million), and in 2008 Yakima ($1 million), Mount Vernon ($500,000), and Puyallup ($1 million).

CERB may not approve use of the LIFT within more than one revenue development area per county, with two exceptions: cities located in more than one county, and counties that include demonstration projects. The window for the application process is currently closed. Approval of additional projects requires future legislative action. The expiration date for the LIFT program is June 30, 2039.

Summary of Bill: No local sales and use tax may be imposed until a sponsoring jurisdiction reports to the Department of Revenue (DOR) and CERB that the state has benefitted through the receipt of state allocation revenues. This replaces the requirement that state allocation revenues must exceed the project award amount before the local sales and use tax can be initially imposed. The maximum state contribution for a LIFT project in any calendar year is limited to the highest amount of state allocation revenues in any preceding year as reported to DOR and CERB.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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