

SENATE BILL REPORT

SB 5433

As of March 5, 2009

Title: An act relating to modifying provisions of local option taxes.

Brief Description: Modifying provisions of local option taxes.

Sponsors: Senators Regala, Swecker, Rockefeller, Morton, Fraser, Ranker, Fairley and Shin.

Brief History:

Committee Activity: Government Operations & Elections: 2/12/09, 2/16/09, 2/19/09 [DPS-WM, DNP].

Ways & Means: 2/26/09.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 5433 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; McDermott and Pridemore.

Minority Report: Do not pass.

Signed by Senator Benton.

Staff: Sharon Swanson (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: A county legislative authority has the ability to authorize, fix, and impose a sales and use tax. The money from these taxes can be used for a variety of purposes, including the funding of chemical dependency and mental health treatment services and public safety.

Monies collected under the sales and use tax for chemical dependency or mental health treatment services must be used to provide new or expanded chemical dependency, mental health treatment, or expanded therapeutic court programs and services. The rate of tax must

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equal one-tenth of one percent of the selling price in the case of a sales tax or value of the article used in the case of a use tax.

The rate of tax for public safety may not exceed three-tenths of one percent of the selling price in the case of a sales tax, or value of the article used in the case of a use tax. One-third of all money received with this tax must be used solely for criminal justice purposes.

With very limited exceptions, monies collected under the sales and use tax for chemical dependency and public safety must not be used to supplant existing funding.

Regular property taxes in excess of the 1 percent growth rate limitations on revenue may be levied by a taxing district if approved by district voters. This approval is referred to as a levy lid lift. A levy lid lift can last up to a maximum of six consecutive years. Monies raised under a levy lid lift must not supplant the actual operating expenditures for the calendar year in which the ballot measure is approved by voters.

Summary of Bill (Proposed Second Substitute): The requirement that funds collected under the public safety sales and use tax and a levy lid lift not supplant existing funds is removed.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Proposed Second Substitute): Removes the retroactive date of October 1, 2008, and the emergency effective date.

EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS & ELECTIONS COMMITTEE (Recommended First Substitute): The substitute removes section 1 of the original bill – the section that removed the requirement that a program be new or part of an expansion of services to receive funding from the sales and use tax for chemical dependency. The substitute also makes one technical change.

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 on Original Bill (Government Operations & Elections): PRO: Amendments are coming that will address the concerns expressed by those against the bill. Section one of the bill will be removed. Receipts in terms of the revenue act are down 10.1 percent from one year ago. Revenue has declined in the last 12 of 13 months. Local governments cannot meet existing costs for services so local governments need the supplanting language removed so we can fund existing needs.

CON: Newer dependency and mental health treatment programs take time to get off the ground and to prove that they work. Existing statutory protections are necessary. The wording of the provisions that programs need to be new or expanding to receive funding was

intentional. If this bill passes, the protections will be removed. There is another senate bill out there that handles this situation in a better way. Please support Senator Hargrove's bill.

Persons Testifying (Government Operations & Elections): PRO: Jim Justin, Association of Washington Cities; Scott Merriman, Association of Washington Counties.

CON: Ron Jaeger, citizen; Donna Obermeyer, Family Alliance for Mental Health.

Staff Summary of Public Testimony on First Substitute Bill (Ways & Means): PRO: In this economic environment, Revenue Act payments are declining at double digit rates. The nonsupplant language in these voter-approved taxes do not make sense during the current crisis, because local governments cannot add new responsibilities if we cannot pay for existing services. The changes to these voter-approved taxes are prospective.

Persons Testifying (Ways & Means): PRO: Jim Justin, Association of Washington Cities; Scott Merriman, Association of Washington Counties.