SENATE BILL REPORT
SB 5605

As of February 4, 2009

Title: An act relating to the time period during which sales and use tax for public facilities in rural counties may be collected.

Brief Description: Concerning the time period during which sales and use tax for public facilities in rural counties may be collected.

Sponsors: Senator Hargrove.

Brief History:
Committee Activity: Agriculture & Rural Economic Development: 2/05/09.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: Bob Lee (786-7404)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Rural counties may impose a local options sales and use tax of up to 0.09 percent. The tax is deducted from the state's 6.5 percent sales 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 and finance personnel in economic development offices. Public facilities are those listed as an item in officially adopted county's overall economic development plan, the economic development section of the comprehensive plan, or listed in the capital facilities plan.

"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.

This crediting mechanism for economic development of rural counties was first enacted in 1997. The maximum tax/credit rate at that time was 0.04 percent, could commence on July 1, 1998, and last for a period of 25 years after the date it was first 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.

Effective August 1, 2007, the maximum rate was increased from 0.08 percent to 0.09 percent. Of the 32 counties that are eligible, 30 counties have increased the tax rate to 0.09 percent since August 1, 2007. Only Columbia and Garfield Counties have not increased their rate to 0.09 percent.

Summary of Bill: Rural counties that collect the tax at the rate of 0.09 percent may continue to do so for 25 years after the date the county first imposed the tax at the 0.09 percent tax rate. Technically, counties that have not imposed the 0.09 percent tax rate are no longer covered by the 25-year limitation.

The act applies both prospectively and retroactively to August 1, 2007.

Appropriation: None.

Fiscal Note: Requested on January 29, 2009.

Committee/Commission/Task Force Created: No.

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