SENATE BILL REPORT
SB 5605

As Reported by Senate Committee On:
Agriculture & Rural Economic Development, February 05, 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 [DPS].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5605 be substituted therefor, and the substitute bill do pass.
Signed by Senators Hatfield, Chair; Ranker, Vice Chair; Schoesler, Ranking Minority Member; Becker, Haugen, Morton and Shin.

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.

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.

"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.

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 (Recommended Substitute): Rural counties that collect the tax at the rate of 0.09 percent rate may do so for 25 years after the date the county first imposed the tax at the 0.09 percent tax rate. Counties that are not yet at the 0.09 percent rate but adopt the 0.09 percent rate by August 1, 2009 may collect at that rate for 25 years from the date the 0.09 percent rate is first imposed. Counties that haven't adopted the 0.09 percent rate by August 1, 2009 continue under existing law and may continue to collect the revenue until 25 years after the initial lower rate was first imposed.

EFFECT OF CHANGES MADE BY AGRICULTURE & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The original bill removed the 25-year expiration provision for the two counties that have not adopted the 0.09 percent rate. The substitute bill clarifies that if a county adopts the 0.09 percent rate by August 1, 2009, that the 25-year time period begins at the date the rate is adopted. If the county does not adopt the 0.09 percent rate by August 1, 2009, the county continues under existing law with the 25-year period starting on the date that the county first imposed the tax credit.

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: None.

Persons Testifying: No one.