SENATE BILL REPORT
SB 5901

As of February 10, 2009

Title: An act relating to modifying provisions of the local infrastructure financing tool program.

Brief Description: Modifying provisions of the local infrastructure financing tool program.

Sponsors: Senator Kastama.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 2/11/09.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Jack Brummel (786-7428)

Background: Tax increment financing is a method of redistributing increased tax revenues within a geographic area resulting from a public investment in order to pay for the bonds to construct the project.

In 2006 the Legislature created a new form of tax increment financing, the Local Infrastructure Financing Tool (LIFT) program, to encourage private investment in community revitalization areas. The LIFT program assists local governments in making public improvements, such as streets, sidewalks, traffic controls, and parking. Public improvement projects in revenue development areas (RDA) are financed through a local sales and use tax that is credited against the state sales and use tax and matched with local resources, such as excess receipts from local sales/use and property taxes.

The local government that creates an RDA may use annually any excess excise taxes received by it from taxable activity within the RDA to finance the public improvement costs financed in whole or in part by local infrastructure financing.

The local excise tax allocation revenue is the amount of excise taxes received by a local government during the measurement year within the RDA over and above the amount of excise taxes received there during the base year from taxable income within the RDA. The base year is the first calendar year following the creation of the RDA and the measurement year is a calendar year, beginning with the calendar year following the base year, that is used annually to measure the amount of excess excise taxes required to be used to finance the public improvement costs.

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.

Summary of Bill: For purposes of calculating base year receipts, local excise tax revenues within an RDA due to public improvements or construction of a major facility or improvement providing public services will be excluded.

LIFT funding for approved projects may, subject to a written agreement between sponsoring local governments, be delayed or advanced, allowing positions to be swapped on the approved project list.

Sponsoring local governments that have adopted an RDA must, if they intend to incur indebtedness and issue bonds, adopt either an ordinance or a resolution that indicates such intent.

Technical clarifications are made related to bond repayment and the expiration of the local sales and use tax.

Appropriation: None.

Fiscal Note: Requested on February 10, 2009.

Committee/Commission/Task Force Created: No.

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