
Ways & Means Committee

HB 2728

Brief Description: Increasing flexibility and diversity of local government revenue.

Sponsors: Representative Hunt.

Brief Summary of Bill

- Increases from \$20 to \$40 the non-voter approved portion of the annual vehicle license imposed by transportation benefit districts.
- Eliminates the voter-approval requirement for the local public safety sales and use tax.
- Authorizes counties to impose up to a 6 percent utility tax.
- Increases the property tax revenue limit for local jurisdictions.
- Clarifies the types of costs that a local administrative fee may cover related to the administration of the State Environmental Policy Act.
- Authorizes cities to accept credit cards, debit cards, and other types of electronic payment.

Hearing Date: 2/1/12

Staff: Jeffrey Mitchell (786-7139).

Background:

Transportation Benefit Districts.

A transportation benefit district (TBD) is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. The legislative authority of a county or city may create a TBD by ordinance following the procedures set forth in law. The county or city proposing to create a TBD may include other counties, cities, port districts, or transit districts through inter-local agreements. There are currently 25 TBDs.

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 members of the legislative authority (county or city) proposing to establish a TBD serves as the governing body of the TBD. The legislative authority is acting ex officio and independently as the TBD governing body. If a TBD includes additional jurisdictions through inter-local agreements, then the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions, or may be the governing body of a metropolitan planning organization if the TBD boundaries are identical to the boundaries of the metropolitan planning organization serving the district. The boundaries of a TBD may be less than the boundaries of those jurisdictions participating in the TBD. For example, a county or city may choose to have the TBD boundaries identical with the county or city, or it may choose just to include a portion of the county or city. However, if a TBD chooses to exercise the revenue authority, described below, that does not require a public vote (e.g. vehicle and impact fees), the boundaries of the TBD must be countywide, citywide, or unincorporated countywide.

Transportation Benefit Districts have several revenue options subject to voter approval:

1. up to \$100 for an annual vehicle fee for each vehicle registered in the district;
2. a one-year excess property tax levy or an excess levy for capital purposes;
3. up to 0.2 percent sales and use tax;
4. vehicle tolls; and
5. transportation impact fees on commercial and industrial buildings.

In 2007 the Legislature amended the TBD law to authorize \$20 of the annual vehicle fee to be imposed without voter approval. As part of the 2007 legislation, the Legislature also allowed impact fees to be imposed without voter approval.

County and City Public Safety Sales and Use Tax.

A county public safety sales and use tax was authorized in 2003. Subject to voter approval, counties may impose a tax of up to 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice purposes, fire protection purposes, or both. A levying county retains 60 percent of the receipts and the remaining 40 percent is distributed to cities within the county on a per capita basis. The use of tax receipts must be stated in the ballot proposition that goes before the voters. The sales and use tax has been implemented in six counties: Jefferson, Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

Cities are also authorized to seek voter approval to impose the public safety sales and use tax at a rate not to exceed 0.1 percent. If a county imposes the public safety sales and use tax prior to a city within the county, the city tax rate may not exceed an amount that would cause the total tax rate for the county and city to exceed 0.3 percent. If a city imposes the tax prior to the county in which the city is located, the county must provide a credit against its tax for the city tax. Fifteen percent of the tax proceeds received by a city imposing the public safety sales and use tax must be distributed to the county. No cities are currently imposing the tax.

Local Utility Taxes.

Cities may impose utility taxes on the gross operating revenues earned by private utilities from operations within the boundaries of a city and by a city's own municipal utilities. Utility services subject to utility tax typically include electric, water, sewer, storm-water, gas, telephone, and cable television. While utilities provide the amount of the tax on the utility bill, the tax is legally levied on the utility, not the customer and must be paid from utility revenues. The tax rate that a

city legislative body may impose on electric, gas, steam, and telephone utility services is generally limited to 6 percent. A city may ask the voters to approve a rate of higher than 6 percent on these utilities. Counties are not authorized to impose utility taxes.

Local 1 Percent Property Tax Revenue Limit.

A city, county, or other local taxing district's regular property tax levy is limited by a statutory maximum growth rate in the amount of tax revenue that may be collected annually; this growth rate is known as the limit factor. For districts of 10,000 persons or more, the limit factor is equal to the lesser of 101 percent or the amount approved by the jurisdiction upon a finding of substantial need. For smaller districts, the limit factor is 101 percent. (The state's limit factor is the lesser of 101 percent or inflation.)

For purposes of the limit factor calculation, "inflation" is defined as the percent change in the implicit price deflator for personal consumption expenditures for the United States as published by the federal Department of Commerce.

Fees to Process Applications Under the State Environmental Policy Act.

Cities, counties, and other municipal corporations may collect reasonable fees from an applicant to cover the cost to the jurisdiction of processing applications, inspecting and reviewing plans, and preparing detailed statements required under the State Environmental Policy Act. This would include fees for activities such as reviewing the environmental checklist that is submitted as part of a development proposal or the preparation of environmental impact statements.

Acceptance of Credit Cards by Cities and Counties.

Some counties and cities accept credit cards in the payment of fees, taxes, assessments, penalties, and other monies due the jurisdiction. State law provides an explicit authorization for the acceptance of credit cards by counties, but no similar statute exists for cities.

Summary of Bill:

Transportation Benefit Districts—Vehicle Fee.

The portion of the \$100 vehicle fee that may be imposed by a transportation benefit district without voter approval is increased from \$20 to \$40.

County and City Public Safety Sales and Use Tax.

The voter-approval requirement is removed for the county and city public safety sales and use tax.

One Percent Property Tax Revenue Limit.

For cities, counties, and all other local taxing districts, the limit factor is changed to the greater of 101 percent or inflation.

County Utility Tax.

Counties are authorized to impose a tax on utility companies. Generally, this would include electric, gas, telephone, water, sewer, solid waste, and cable businesses; however, counties with a population of 1.5 million or less may not impose a utility tax on gas companies. A county may

not impose a rate that exceeds 6 percent. Counties must provide a credit for any city utility tax imposed on the same service.

Fees to Process Applications Under the State Environmental Policy Act.

A city, county, or other jurisdiction may charge reasonable fees necessary to cover proportionate staffing, administrative, and facility costs associated with the processing of applications, plans, or statements required under the State Environmental Policy Act.

Acceptance of Credit Cards by Cities.

Cities are explicitly authorized to accept credit cards, charge cards, debit cards, smart cards, and other forms of electronic payment.

Appropriation: None.

Fiscal Note: Requested on January 28, 2012.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.