Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Ways & Means Committee

SSB 5722

Brief Description: Concerning the use of moneys collected from the local option sales tax to support chemical dependency or mental health treatment programs and therapeutic courts.

Sponsors: Senate Committee on Human Services & Corrections (originally sponsored by Senators Hargrove, Morton, Stevens, Regala, Shin and McAuliffe).

Brief Summary of Substitute Bill

- Modifies non-supplant restrictions with respect to the local mental health and chemical dependency sales and use tax.

Hearing Date: 3/9/11

Staff: Jeffrey Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

A county mental health/chemical dependency sales and use tax of 0.1 percent was authorized in 2005. In 2010 cities within a county of more than 800,000 were also authorized to impose the tax if the county was not imposing the tax by January 1, 2011. The proceeds of the tax must be devoted to county mental health treatment, chemical dependency, and therapeutic court programs and services. The sales and use tax has been imposed in 14 counties: Clallam, Clark, Grays

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Harbor, Island, Jefferson, King, Okanogan, San Juan, Skagit, Snohomish, Spokane, Thurston, Wahkiakum, and Whatcom. Total tax collections in 2010 for all counties imposing the mental health/chemical dependency sales and use tax were approximately $74 million. Until calendar 2010, tax receipts could not supplant (replace) existing funds being used for these programs and services. This non-supplant restriction was temporarily suspended, allowing counties and cities to redirect an amount equal to 50 percent of the tax to other uses in calendar year 2010 and then reduced by 10 percent for the following four years.

Summary of Bill:

The temporary suspension of the non-supplant restriction for the local mental health/chemical dependency sales and use tax is extended for counties and cities initially imposing the tax after December 1, 2010, as follows:

For counties with a population larger than 25,000 and cities with a population over 30,000, a portion of the tax revenue may be used to supplant existing funds as follows: up to 50 percent of the tax may be used to supplant existing funds in calendar years 2011 and 2012; up to 40 percent of the tax may be used to supplant existing funds in calendar years 2013; up to 30 percent of the tax may be used to supplant existing funds in calendar years 2014; up to 20 percent of the tax may be used to supplant existing funds in calendar years 2015; and up to 10 percent of the tax may be used to supplant existing funds in calendar years 2016.

For a counties with a population less than 25,000, a portion of the tax revenue may be used to supplant existing funds as follows: up to 80 percent of the tax may be used to supplant existing funds in calendar years 2011 and 2012; up to 60 percent of the tax may be used to supplant existing funds in calendar years 2013; up to 40 percent of the tax may be used to supplant existing funds in calendar years 2014; up to 20 percent of the tax may be used to supplant existing funds in calendar years 2015; and up to 10 percent of the tax may be used to supplant existing funds in calendar years 2016.

Revenues used to support the cost of a judicial officer and support staff of a therapeutic court are exempt from supplant restrictions.

Appropriation: None.

Fiscal Note: Requested on March 5, 2011.

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