

# SENATE BILL REPORT

## SHB 2357

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As of Second Reading

**Title:** An act relating to sales and use tax for chemical dependency, mental health treatment, and therapeutic courts.

**Brief Description:** Concerning sales and use tax for chemical dependency, mental health treatment, and therapeutic courts.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representatives Darneille, Kirby, Ladenburg, Green, Jinkins, Kagi and Tharinger).

**Brief History:** Passed House: 3/08/12, 76-22.

**Committee Activity:**

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**Staff:** Dianne Criswell (786-7433)

**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, 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, 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 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 15 counties: Clallam, Clark, Ferry, Grays 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.

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Until calendar 2010, tax receipts could not supplant existing funds being used for these programs and services. This non-supplant restriction was temporarily suspended in 2010, 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.

In 2011 the non-supplant restriction was again extended and modified as follows:

Year	Amount of Revenue That May Be Supplanted	
	Counties with population > 25,000 and cities with population > 30,000	Counties with population < 25,000
2011	Up to 50%	Up to 80%
2012	Up to 50%	Up to 80%
2013	Up to 40%	Up to 60%
2014	Up to 30%	Up to 40%
2015	Up to 20%	Up to 20%
2016	Up to 10%	Up to 10%

Also in 2011, revenues used to support the cost of a judicial officer and support staff of a therapeutic court were exempt from supplant restrictions.

**Summary of Bill:** A county with a population larger than 25,000 and a city with a population over 30,000 may use up to 50 percent of the mental health/chemical dependency sales and use tax to supplant existing funds in the first three calendar years in which the tax is imposed. Up to 25 percent may be used to supplant existing funds in the fourth and fifth years in which the tax is imposed. This new supplant timeline applies to jurisdictions imposing the tax after December 31, 2011.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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