

# SENATE BILL REPORT

## SB 5325

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As Reported by Senate Committee On:  
Trade & Economic Development, February 19, 2013

**Title:** An act relating to the definition of a rural county for public facilities' sales and use tax purposes.

**Brief Description:** Concerning the definition of a rural county for public facilities' sales and use tax purposes.

**Sponsors:** Senators Rivers, Cleveland, Benton and King.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 2/14/13, 2/19/13 [DPS-WM].

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5325 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Baumgartner, Chase, Ranking Member; Holmquist Newbry, Schlicher and Shin.

**Staff:** Jack Brummel (786-7428)

**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 option 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 financing personnel in economic development offices.

For the purposes of the local option tax, rural counties are defined as those with a population density of less than 100 persons per square mile, or with an area smaller than 225 square miles. This definition is referenced a number of times in the state's code.

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*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 (Recommended Substitute):** Any county that borders a state without a sales tax is eligible to receive up to the 0.09 percent state-shared local sales and use tax for rural counties.

**EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute):** The definition of rural county is not changed. A new section is created that makes Clark County eligible to take part in the 0.09 percent sales and use tax program available to rural counties.

**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 on Original Bill:** PRO: Retailers in Clark County are in a tough position. This will remedy a revenue inequality and make southwest Washington more economically competitive. The 0.09 program works to address disadvantages and inequities around the state. Clark County is disadvantaged more than any other county in the state. Clark collects on average 40 percent less in sales tax than other counties because of Portland. This allows flexibility.

**Persons Testifying:** PRO: Senator Rivers, prime sponsor; Axel Swanson, Clark County.