Finance Committee

HB 2296

Brief Description: Concerning the taxing authority of public facilities districts.

Sponsors: Representatives Rossetti, Orcutt, Blake and Tharinger.

Brief Summary of Bill

- Allows a public facilities district (PFD) to use local sales and use tax proceeds to repay bonds issued not only for construction but also for the expansion, rehabilitation and improvement of regional centers.
- Extends the authorization for a local sales and use tax for regional centers from up to 25 years to up to 40 years, assuming bonds have not yet been retired.

Hearing Date: 1/15/16

Staff: Sarah McLaughlin Emmans (786-7288).

Background:

Local Sales and Use Taxes.
State law currently authorizes 25 different types of local sales and use taxes. The most common is a two-part (0.5 percent basic plus 0.5 percent optional) city and county sales and use tax of up to 1 percent. The tax is used for general local purposes. Almost all cities and counties levy the full 1 percent rate. The county sales and use tax is credited against the city tax; however, cities are required to share 15 percent of their tax with the counties. Local sales and use taxes are deposited into the Local Sales and Use Tax Account (Account). On a monthly basis, the State Treasurer distributes taxes in the Account to the jurisdictions imposing local sales and use taxes.

Public Facilities District.
Public facilities districts (PFDs) are corporate municipal bodies with independent taxing authority. State law authorizes a PFD to impose a local sales and use taxes of 0.033 percent to finance the construction of regional centers. A PFD that has experienced an annual net loss of at least 0.5 percent due to streamlined sales tax destination sourcing may increase its rate up to

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0.037 percent. This tax is not an additional tax for consumers, and it does not change the overall retail sales or use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the State General Fund.

Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. Authority to levy the PFD sales and use tax for regional centers is limited to districts that were created by certain dates and commenced the construction, improvement, or rehabilitation of eligible projects prior to certain dates. Once imposed, the tax may remain in place until bonds that finance the construction of the facility are retired, but in no case may the tax be levied for longer than 20 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds must be obtained for the project. The tax is currently used to finance 22 projects statewide.

Summary of Bill:

The timeframe within which Public Facilities Districts (PFDs) are authorized to levy a local sales and use tax to finance the construction of regional centers is extended from 25 years to 40 years, as long as bonds have not been retired. Proceeds from the tax may be used to retire bonds issued not only for the construction but also for the improvement, rehabilitation, or expansion of the regional center or parking facilities are retired (but no more than 40 years after the tax is imposed).

Appropriation: None.

Fiscal Note: Available.

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