HOUSE BILL REPORT
HB 1201

As Reported by House Committee On:
Finance

Title: An act relating to the taxing authority of public facilities districts.

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

Sponsors: Representatives Stonier, Orcutt, Harris, Wylie, J. Walsh, Riccelli, Tharinger and Ormsby.

Brief History:
Committee Activity:
Finance: 1/17/17, 2/21/17 [DP].

Brief Summary of Bill

- Allows a public facilities district 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 two local sales and use taxes for regional centers from up to 25 years to up to 40 years, assuming bonds have not yet been retired.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Condotta.

Staff: Tracey O'Brien (786-7152).

Background:

Local Sales and Use Taxes.

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.

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 tax 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 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 be obtained for the project. The 0.033 percent tax is currently used to finance 22 projects statewide.

The PFDs in Cowlitz and Yakima counties are also authorized to levy an additional local sales and use tax of 0.02 percent to finance the construction of regional theaters. The same restrictions that apply to the 0.033 percent tax also apply to the 0.02 percent tax.

Summary of Bill:

The maximum timeframes within which the PFDs are authorized to levy two local sales and use taxes, one to finance the construction of regional centers and one to finance the construction of regional theaters, are extended from 25 years to 40 years, provided that bonds have not yet retired. Proceeds from the taxes may be used to retire bonds issued not only for construction but also for the improvement, rehabilitation, or expansion of the regional center (or regional theater) and parking facilities.

Appropriation: None.

Fiscal Note: Available

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

Staff Summary of Public Testimony:

(In support) This bill allows PFDs to refinance their debt, taking advantage of current lower interest rates. Many PFDs were planned, developed, and financed prior to the "Great Recession," and this bill would provide financial relief for many communities by reducing or eliminating payments made by the sponsoring municipalities. In addition, the existing rebate is significantly shorter than the useful life of a PFD facility. House Bill 1201 expands the timeframe for the state sales tax rebate to allow for a PFD to upgrade and perform maintenance activities on their facilities.

There is no revenue impact to the State General Fund this biennium. In fact, there will be no loss of revenue until 2025. Moreover, the new construction and the sales tax revenues from the expansion and rehabilitation projects will increase revenues for local and state governments. Many facilities are built or rehabilitated by leveraging these state funds with other revenue sources. There are increased economic activities in the communities due to events at the PFD facility, providing employment, as well as activities that draw people in from outside the community. These visitors spend money at local retail shops and restaurants, as well as at local lodging establishments.

(Opposed) None.

Persons Testifying: Jim Hedrick, Association of Washington State Public Facilities Districts; Todd Chaput, Lewis County Public Facilities District; and Betty Erickson, Cowlitz County Public Facilities District.

Persons Signed In To Testify But Not Testifying: None.