HOUSE BILL REPORT
EHB 1948

As Passed Legislature

Title: An act relating to supporting warehousing and manufacturing job centers.

Brief Description: Supporting warehousing and manufacturing job centers.

Sponsors: Representatives Entenman, Stokesbary, Sullivan, Senn, Chambers, Ramos, Callan and Graham.

Brief History:
Committee Activity:
Finance: 2/26/19, 2/27/19 [DP].
Floor Activity:
Passed House: 1/22/20, 84-12.
Senate Amended.
Passed Senate: 3/7/20, 42-7.
House Concurred.
Passed House: 3/10/20, 83-14.
Passed Legislature.

Brief Summary of Engrossed Bill

- Creates the Manufacturing and Warehousing Job Centers Account.
- Provides for mitigation payments for the support of manufacturing and job centers in manufacturing and warehousing communities negatively impacted by the Streamlined Sales and Use Tax Agreement.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Morris, Orwall, Springer, Stokesbary, Vick and Wylie.

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

Background:

Streamlined Sales and Use Tax Agreement.
In 2007 legislation was enacted fully adopting the Streamlined Sales and Use Tax Agreement (SSUTA).

The SSUTA includes provisions for determining where a sale is deemed to occur for local sales and use tax purposes. As part of the legislation, the Streamlined Sales and Use Tax Mitigation Account was created to mitigate the effect of the change in sourcing rules to negatively impacted local jurisdictions. Each July 1, the State Treasurer must transfer an amount determined by the Department of Revenue (DOR) to fully mitigate negatively impacted local jurisdictions. The DOR determines each local jurisdiction's annual losses. Distributions are made quarterly representing one-fourth of a jurisdiction's annual loss less voluntary compliance revenue from the previous quarter.

In 2017 the Legislature repealed local mitigation payments, effective October 1, 2019. Until that time, payments must be adjusted to reflect the impact of marketplace fairness on local tax revenues and will be made only to cities, counties, and public facilities districts.

Summary of Engrossed Bill:

Qualified local taxing districts negatively impacted by the SSUTA may receive annual mitigation payments each July 1. To qualify, a local taxing district must be a city and have received a mitigation payment of at least $150,000 in calendar year 2018 from the Streamlined Sales and Use Tax Mitigation Account (Mitigation Account). In addition, the taxing district must continue to have local sales tax revenue loss due to the sourcing provisions in the SSUTA.

Beginning July 1, 2020, the DOR must calculate each qualified taxing district's annual loss. The annual loss is calculated by comparing at least 12 months of tax return data from before and after July 1, 2008. Each quarter, distributions are made from the Warehousing and Manufacturing Jobs Center Account (Account) created in this act. The distributions from the Account will be in an amount equal to one-fourth of the taxing district's annual loss. The DOR will reduce this amount by the voluntary compliance revenue and marketplace fairness revenue.

The program ends January 1, 2026.

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) Manufacturing and warehousing centers are economic engines for Washington. As the result of the SSUTAs changes to retail sales tax sourcing law, the cities that these centers call home have seen a decline in tax revenues. As part of the SSUTA legislation, mitigation payments to these cities were authorized to make these local governments whole. In 2017 the Legislature voted to end these payments in October 2019, speculating that the changes resulting from the Marketplace Fairness bill would make the SSUTA mitigation local governments whole. Unfortunately, the DOR has found that the Marketplace Fairness revenues will not equal or exceed the losses these cities will experience in the next 10 years. For example, the City of Kent received over $4.5 million from the SSUTA Mitigation Account in 2018. In order to maintain the competitiveness of warehousing and manufacturing in these communities in competitive global market, the cities must invest these mitigation payments in road maintenance and construction, police services, and other public works projects.

(Opposed) None.

Persons Testifying: Representative Entenman, prime sponsor; Dana Ralph and Briahna Murray, City of Kent; Brandon Buchanon, City of Woodinville; and Sean Eagan, Port of Tacoma.

Persons Signed In To Testify But Not Testifying: None.