
Finance Committee

HB 1246

Brief Description: Allowing a local sales and use tax as a credit against the state sales tax for rural high-speed internet infrastructure without increasing the total sales and use tax rate.

Sponsors: Representatives Orcutt and Young.

Brief Summary of Bill

- Authorizes an additional 0.05 percent local sales and use tax, credited against the state portion of the sales and use tax, to be imposed by a rural county public facilities district to support the development of rural high-speed internet infrastructure.

Hearing Date: 2/1/21

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

Background:

Retail Sales and Use Tax.

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 user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Rural County Public Facilities District.

A public facilities district (PFD) is a municipal corporation with independent taxing authority

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and is a taxing district under the Washington Constitution.

A rural county may impose a sales and use tax to finance public facilities which serve economic development purposes. The tax may not exceed 0.09 percent and is credited against the state portion of the sales and use tax. The proceeds may be used for costs associated with financing public facilities serving economic development purposes and finance personnel in economic development offices. The public facility item must be listed as an item in the officially adopted county overall economic development plan.

Rural Counties.

In 1999 the statutory definition of a "rural county" was revised to include a definition based on population density. In this legislation, "rural county" was defined as a county with a population density of less than 100 persons per square mile. Subsequent legislation expanded the definition to include a county smaller than 225 square miles. This definition is used for several taxes and for assistance programs. The list of qualified counties is updated and maintained by the Office of Financial Management.

Counties meeting the definition of "rural county" as of April 1, 2020, are: Adams, Asotin, Chelan, Clallam, Columbia, Cowlitz, Douglas, Ferry, Franklin, Garfield, Grant, Grays Harbor, Island, Jefferson, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, San Juan, Skagit, Skamania, Stevens, Wahkiakum, Walla Walla, Whitman, and Yakima.

Summary of Bill:

An additional local sales and use tax of 0.05 percent may be imposed by a rural county PFD. The tax is credited against the state portion of the sales and use tax. The proceeds of the tax must be used only for the development of infrastructure to bring high-speed internet access to unserved regions throughout the county, with a focus on last-mile infrastructure where it has not been commercially feasible for the private sector to build.

Appropriation: None.

Fiscal Note: Available.

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