SENATE BILL REPORT
SHB 1333

As of March 16, 2021

Title: An act relating to providing an extension to the local sales and use tax for public facilities in rural counties.

Brief Description: Providing an extension to the local sales and use tax for public facilities in rural counties.

Sponsors: House Committee on Finance (originally sponsored by Representatives Tharinger, Steele, Hackney and Lekanoff).

Brief History: Passed House: 3/3/21, 97-0.
Committee Activity: Ways & Means: 3/16/21.

Brief Summary of Bill

- Extends until December 31, 2054, the expiration of the local sales and use tax for public facilities in rural counties for those counties imposing the tax prior to August 1, 2009, at the maximum rate.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Local Sales and Use Tax for Public Facilities in Rural Counties. Rural counties may impose a 0.09 percent sales and use tax (rural public facility tax), credited against the state rate, to fund certain public facilities and economic development activities. For the rural public facility tax, a rural county is a county with a population density less than 100 persons per square mile, or a county smaller than 225 square miles, as determined by the Office of Financial Management (OFM). Revenues collected from the rural public facility tax must be used to finance public facilities serving economic development purposes in rural counties and to finance personnel in economic development offices. Public facilities generally include telecommunications infrastructure, transportation infrastructure, commercial infrastructure, some utilities infrastructure, and other specifically identified facilities. A public facility must be listed as an item in the officially adopted county overall economic development plan; the economic development section of the county's comprehensive plan; or the comprehensive plan of a city or town located within the county, for those counties planning under the Growth Management Act.

Counties must consult with cities, towns, and port districts within the county and with the associate development organization serving the county to ensure expenditures meet the goals of the rural public facility tax. Counties must annually report to the Office of the State Auditor a list of projects implemented and expenditures made using revenues from the rural public facility tax.

For counties imposing the rural public facility tax at 0.09 percent prior to August 1, 2009, the tax expires 25 years after the tax was first imposed.

Summary of Bill: For counties imposing the rural public facility tax at 0.09 percent prior to August 1, 2009, and that met the definition of a rural county as of August 1, 2009, the tax expires December 31, 2054.

The determination of which counties qualify as a rural county must be made based on OFM population data.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The revenues can be used to fund various infrastructure projects such as sewer and water. It can also be used to fund a community center, a housing project, and a variety of other uses. Our county has a job and economic metric to decide which projects are to be funded. This sales tax credit has been a very effective tool. The bill extends the timeframe so counties can bond somewhere in that 25 to

30 year timeframe. The existing timeline prevents counties from being able to bond against the revenues and therefore being able to do larger projects. The language is simple but the policy is important. Funding critical infrastructure in rural counties is the biggest opportunity to comply with growth management requirements and avoid economic stagnation. This is a valuable tool to invest in our urban growth areas, allowing these areas to increase urban density and affordable housing. Jefferson County wants to put a wastewater treatment facility in our one unincorporated urban growth area. This bill will allow us to secure the necessary financing for this infrastructure. Updating wastewater facilities is one of the best ways to protect water quality. Not being able to fund this infrastructure has stymied business and residential growth. Affordable housing remains the top economic barrier for our region. With a functional wastewater facility in place, higher density can occur.

Persons Testifying: PRO: Representative Steve Tharinger, Prime Sponsor; Kate Dean, Commissioner, Jefferson County; Brian Kuh, Director, EDC Team Jefferson.

Persons Signed In To Testify But Not Testifying: No one.