SENATE BILL REPORT
ESHB 1333

As of February 1, 2022

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: 1/14/22, 93-3.
Committee Activity: Housing & Local Government: 2/01/22.

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.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Staff: Jeff Olsen (786-7428)

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 prior to August 1, 2009, and that meet 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 bill would extend a very effective program for rural counties for a variety of economic development programs. By extending the program, counties will be able to plan ahead or bond against the revenue for infrastructure and other projects. This funding source has been used to leverage other funding sources for projects including water, sewer, workforce housing, water storage, and broadband. By expanding broadband to rural communities it has enhanced economic development, generate revenue and leverage other funding sources. This funding source is needed now more than ever due to impacts from COVID.

CON: The bill increases the scope of the tax. The state needs a new revenue source, based on lane miles or a nautical mile tax on products from China.

Persons Testifying: PRO: Representative Steve Tharinger, Prime Sponsor; Mellani McAleenan, Washington State Association of Counties; Sara Young, Port of Skagit, WA Public Ports Assoc; Suzanne Dale Estey, Washington Economic Development Association; Kate Dean , Jefferson County Commissioner.

CON: Jeff Pack, Me; john Worthington, AAMC.

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