FINAL BILL REPORT
SHB 1267

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Synopsis as Enacted

Brief Description: Concerning rural public facilities sales and use tax.

Sponsors: House Committee on Local Government (originally sponsored by Representatives Tharinger, Steele and Ramel).

House Committee on Local Government
House Committee on Finance
Senate Committee on Local Government, Land Use & Tribal Affairs
Senate Committee on Ways & Means

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 depending on the location.

Local Retail Sales and Use Tax for Public Facilities in Rural Counties.
The legislative body of a rural county may impose a sales and use tax of up to 0.09 percent of the selling price or value of an article of tangible personal property. The tax is deducted from the state sales and use tax collected.

A rural county is defined as a county with a population density of less than 100 persons per square mile, or counties smaller than 225 square miles, as of April 1, 2021. There are 30 counties that meet the rural county definition.

The tax may be collected by a county for 25 years after the date that a tax is first imposed.

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.

Rural counties that imposed the tax at the 0.09 percent rate before August 1, 2009, may impose the tax for 25 years from the date the county first imposed the tax at the 0.09 percent rate.

Moneys from the local option tax may only be used to finance public facilities serving economic development purposes and to pay for personnel in economic development offices. "Economic development purposes" means those purposes which facilitate the creation or retention of businesses and jobs in a county.

A public facility must be listed as an item in a county's officially adopted overall economic development plan, the economic development section of the county's comprehensive plan, the comprehensive plan of a city or town located within a county planning under the Growth Management Act (GMA), or provide affordable workforce housing infrastructure or facilities. For counties that do not have an adopted overall economic development plan and do not plan under the GMA, the public facility must be listed in the county's capital facilities plan or the capital facilities plan of a city or town located within the county, or provide affordable workforce housing infrastructure or facilities.

Public facilities include bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, storm sewer facilities, railroads, electrical facilities, natural gas facilities, telecommunications infrastructure, port facilities in the state, affordable workforce housing infrastructure or facilities, and other specifically identified facilities.

Counties imposing the sales and use tax must consult with cities, towns, and port districts located within the county and must annually report to the State Auditor on the following:

- a list of new projects begun during the fiscal year, showing that the county has used the funds for projects consistent with the goals of the sales and use tax; and
- expenditures during the fiscal year on projects begun in a previous year.

Summary:

The expiration of the sales and use tax that may be collected by rural counties is changed from 25 years after the date that the tax was first imposed to December 31, 2054.

The annual report submitted by counties on eligible projects for which the revenue collected was used must identify in detail each new and continuing public facility project and other projects for which the revenue was used and the amount of proceeds allocated to each project.

By December 31, 2024, the State Auditor must provide a publicly accessible report on its website containing the information reported by rural counties collecting the rural sales and use tax. The report must also include the total amount of revenue from the sales and use tax collected by the county in the prior fiscal year. The state auditor must develop a standardized expenditure report for the project information and other expenditure information included in the annual reports beginning with reports filed in 2024.

Votes on Final Passage:

House	95	0	
Senate	47	2	(Senate amended)
House	96	0	(House concurred)

Effective: July 23, 2023