

SENATE BILL REPORT

SHB 2428

As Passed Senate, February 29, 2024

Title: An act relating to allowing cities to voluntarily share certain sales and use tax revenue.

Brief Description: Allowing cities to voluntarily share certain sales and use tax revenue.

Sponsors: House Committee on Local Government (originally sponsored by Representatives Klicker, Rude and Springer).

Brief History: Passed House: 2/8/24, 97-0.

Committee Activity: Local Government, Land Use & Tribal Affairs: 2/15/24, 2/20/24 [DP].

Floor Activity: Passed Senate: 2/29/24, 47-0.

Brief Summary of Bill

- Allows cities and towns to enter into an interlocal agreement to share a portion of general purpose local government sales and use tax revenue.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: Do pass.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Torres, Ranking Member; Kauffman and Short.

Staff: Karen Epps (786-7424)

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

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.

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 4 percent, depending on the location.

Interlocal Cooperation Act. Washington's Interlocal Cooperation Act authorizes public agencies to contract with other public agencies via interlocal agreements that enable cooperation among the agencies to perform governmental activities and deliver public services. All interlocal agreements must either be filed with the county auditor or posted on a public agency's website or other electronically retrievable public source. All interlocal agreements executed between two or more public agencies must, at a minimum, specify the:

- duration of the agreement;
- precise organization, composition, and nature of any separate legal or administrative entity created;
- purpose;
- financing and budget; and
- method by which to terminate the agreement.

Summary of Bill: Revenue from sales and use taxes imposed by a city may be shared with another city as part of an interlocal agreement. Cities and towns may enter into an interlocal agreement to share a portion of general purpose sales and use tax revenue. In addition to the terms required to be included in any interlocal agreement, an agreement to share sales and use tax revenue must include:

- the area or areas in which the agreement applies, if it is only applicable to revenue collected in certain areas, and how the parties will calculate the revenue collected in those areas;
- the amount or proportion of revenue to be shared; and
- the mechanism or method that will be used by the parties to share the revenue.

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: This bill is important to some adjoining cities and towns. There are projects that one city wants to do that is intertwined with the neighboring city, such as sewer system and road repairs, and they would like to be able to share their sales and use tax on certain projects. This bill allows cities to enter an interlocal agreement to share local sales and use taxes and helps eliminate competition between adjacent cities when retail establishments want to locate in the region. This bill will help multiple cities in the future. This bill allows cities to take a joint approach to recruiting

businesses, especially larger scale retail, to their region. The bill allows cities to have a shared goal of keeping those tax dollars local and investing those tax dollars into the communities.

Persons Testifying: PRO: Representative Mark Klicker, Prime Sponsor; Elizabeth Chamberlain, City of Walla Walla; Michael Rizzitiello, City of College Place.

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