

SENATE BILL REPORT

SB 5613

As Reported by Senate Committee On:
Local Government, Land Use & Tribal Affairs, February 14, 2023

Title: An act relating to rural public facilities sales and use tax.

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

Sponsors: Senators Lovelett, Wagoner, Shewmake, Rivers, Van De Wege, Boehnke, Muzzall, Wilson, J., Dozier and King.

Brief History:

Committee Activity: Local Government, Land Use & Tribal Affairs: 2/07/23, 2/14/23 [DPS-WM].

Brief Summary of First Substitute 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.
- Requires the state auditor to provide a publicly accessible report on its website to view county project and expenditure information of rural county public facilities sales and use tax proceeds.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: That Substitute Senate Bill No. 5613 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Karen Epps (786-7424)

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.

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 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 or to provide affordable workforce housing facilities. 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.

Public facilities generally include telecommunications infrastructure, transportation infrastructure, commercial infrastructure, some utilities infrastructure, affordable workforce housing infrastructure or facilities, and other specifically identified facilities. The rural public facility tax may also be used to finance public facilities serving economic development purposes, and to pay for personnel in economic development offices.

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; the comprehensive plan of a city or town located within the county, for those counties planning under the Growth Management Act; or provide affordable workforce housing infrastructure or facilities.

Affordable workforce housing infrastructure or facilities includes housing infrastructure or facilities for a single person, family, or unrelated persons living together whose income is at least 60 percent and no more than 120 percent of the median income, adjusted for housing size, for the county where the housing is located.

Counties imposing the rural public facility tax must consult with cities, towns, and port districts located within the county and must 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 rural public facility tax; and
- expenditures during the fiscal year on projects begun in a previous year

A rural county is defined as a county with a population density less than 100 persons per square mile, or counties smaller than 225 square miles, as determined by the Office of Financial Management. Currently, there are 30 counties that meet the rural county definition.

Summary of Bill (First Substitute): 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.

By December 31, 2027, the state auditor must provide a publicly accessible report on its website containing project information and expenditure information reported by rural counties collecting the rural public facility tax. The searchable system must also include the total amount of revenue from the rural public facility tax collected by the county in the prior fiscal year. Reports filed in 2027 and after must be part of the publicly accessible report.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS COMMITTEE (First Substitute):

- Requires the State Auditor to provide a publicly accessible report rather than a publicly accessible searchable system.
- Extends the deadline for the State Auditor to provide the publicly accessible report from December 31, 2025, to December 31, 2027.
- Provides that reports filed in 2027 and after must be part of the publicly accessible report.

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 on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Each county adopted this tax at a different time so there is not a consistent expiration date. Some counties have been more proactive than others about reporting the use of these funds and this bill sets up a consistent reporting requirement with the State Auditor's office to ensure the money is being utilized for its intended purpose. The rural public facilities sales and use tax is an important tool for rural counties. These funds provide smaller counties with resources for public facilities, economic development, and affordable housing, and are often used to leverage federal funding. These funds are used for the planning, development, and permitting for these projects. The funds are not enough to pay for infrastructure but they can get projects to shovel ready status. Extending this program for 25 years allows rural counties to continue to invest in infrastructure in urban growth areas and allow counties match or finance other funding sources. These funds spur business, economic growth, and development in the counties. These funds provide a critical funding gap for economic development, publicly owned infrastructure, and affordable housing. The extension of time will allow counties to complete larger projects, such as housing or sewer. Without this bill, the program will expire in 8 to 10 years.

CON: Rural communities pay their share, but Amazon and shipping companies do not. Use taxes for Amazon and FedEx are a must. It is time for them to pay a proportional user fee and impact fee.

OTHER: The bill directs the state auditor to do work that will cost money. This bill should be amended to provide a little more time for the state auditor's office to work with counties and so the work required from the state auditor's office can be done with existing resources.

Persons Testifying: PRO: Senator Liz Lovelett, Prime Sponsor; Kate Dean, Commissioner, Kate Dean; Lisa Janicki, Skagit County; Kathy Pittis, Port of Anacortes; Paul Jewell, Washington State Association of Counties.

CON: John Worthington.

OTHER: Scott Nelson, Office of the Washington State Auditor.

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