

# HOUSE BILL REPORT

## SHB 1751

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### As Passed House:

March 10, 2009

**Title:** An act relating to the time period during which sales and use tax for public facilities in rural counties may be collected.

**Brief Description:** Concerning the time period during which sales and use tax for public facilities in rural counties may be collected.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Kessler, Van De Wege, Takko, Kenney, Finn, Haigh and Blake).

### Brief History:

#### Committee Activity:

Finance: 2/17/09, 3/2/09 [DPS].

#### Floor Activity

Passed House: 3/10/09, 94-2.

### Brief Summary of Substitute Bill

- Allows a rural county to impose the rural county sales and use tax for 25 years from the date the county changes the tax rate from 0.08 percent to 0.09 percent as long as the 0.09 rate is first imposed before August 1, 2009.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

**Staff:** Joseph Archuleta (786-7192)

### Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some

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services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes are applied to the value of most tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Depending on the location, local tax rates vary from 0.5 percent to 2.5 percent. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

Rural counties may impose a local options sales and use tax of up to 0.09 percent. The tax is credited against the state's 6.5 percent sales tax, and the consumer does not see an increase in the amount of the tax paid. Revenues from this local option tax may only be used to finance public facilities serving economic development purposes and pay for personnel in economic development offices. Public facilities are those listed as an item in county's officially adopted, overall economic development plan, the economic development section of the comprehensive plan, or listed in the capital facilities plan.

For purposes of the tax, "rural counties" are defined as a county with a population density of less than 100 persons per square mile or smaller than 225 square miles.

This sales and use tax for rural counties was first enacted in 1997. The maximum tax rate at that time was 0.04 percent, which could commence no sooner than July 1, 1998, and last for a period of 25 years after the date the tax was first imposed. In 1999, the rate was increased to 0.08 percent.

Effective August 1, 2007, the maximum tax rate was increased from 0.08 percent to 0.09 percent. Of the 32 counties that are eligible, 30 counties have increased the tax rate to 0.09 percent since August 1, 2007, with only Columbia and Garfield Counties not increasing their tax rates.

**Summary of Substitute Bill:**

Rural counties that impose the rural county sales and use tax at the rate of 0.09 percent 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 tax rate.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill is a slight improvement on current law. The money counties receive from this sales tax revenue stream is often bonded in order to maximize its use. However, 25 years, from beginning in 1997, is not very long. Economic development in rural counties is very difficult and this money will be used for economic development purposes.

(Opposed) None.

**Persons Testifying:** Representative Kessler, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.