Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 2933

Brief Description: Modifying sales and use tax provisions for the local infrastructure financing tool program.

Sponsors: Representatives Ericks, Morrell and Dammeier.

Brief Summary of Bill

- Eliminates the restriction preventing the local sales and use tax from being initially imposed until state tax allocation revenues equal or exceed the local infrastructure financing tool program project award amount approved by the Community Economic Revitalization Board.
- Adds further constraints on the annual state contribution amount.

Hearing Date: 1/29/10

Staff: Susan Howson (786-7142).

Background:

Under the Local Infrastructure Financing Tool (LIFT) program, state sales taxes collected within a sponsoring jurisdiction are diverted to the jurisdiction for the purpose of funding public improvements within a designated "revenue development area." A sponsoring jurisdiction can be a city, town, county, or federally recognized Indian tribe.

The maximum state contribution that a sponsoring jurisdiction can receive each year is limited to the lesser of: (1) $1 million, (2) the amount of local matching funds dedicated to payment for the public improvements in the preceding calendar year, or (3) the amount of the LIFT award approved by the Community Economic Revitalization Board (CERB). State sales taxes cannot be diverted for more than 25 years. Sponsoring local governments must issue bonds by the end of the fifth fiscal year that the taxes have been diverted.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Sponsoring jurisdictions that have been approved by the CERB to use the LIFT may impose a local sales and use tax. No tax may be imposed: (1) before July 1, 2008, (2) before July 1 of the second calendar year following CERB approval, and (3) before the state excise tax allocation revenues and state property tax allocation revenues for the preceding calendar year equal or exceed the amount of the project award approved by the CERB. The proceeds may only be used for the payments of principal and interest on the bonds issued for the public improvements financed through the local infrastructure financing. This tax expires when bonds issued are retired, but not more than 25 years after being imposed.

The maximum statewide contribution for all LIFT projects is capped at $7.5 million per year ($2.5 million for demonstration projects, $5 million for competitive projects). Nine projects have been awarded under the LIFT program. Three of them are demonstration projects designated by the Legislature: Bellingham ($1 million), Vancouver ($500,000), and Spokane County ($1 million). Six of them were approved through two competitive application processes administered by the CERB: in 2007 Bothell ($1 million), Everett ($500,000), and Federal Way ($1 million), and in 2008 Yakima ($1 million), Mt. Vernon ($500,000), and Puyallup ($1 million).

The CERB may not approve use of the LIFT within more than one revenue development area per county, with two exceptions: cities located in more than one county, and counties that include demonstration projects. The window for the application process is currently closed. Approval of additional projects requires future legislative action. The expiration date for the LIFT program is June 30, 2039.

Summary of Bill:

The restriction that prevents the sales and use tax from being initially imposed until the state excise tax allocation revenues and state property tax allocation revenues equal or exceed the project award is eliminated. Instead, the tax can be initially imposed beginning on July 1 of the second calendar year following approval by the Community Economic Revitalization Board (CERB). However, until state excise tax allocation revenues and state property tax allocation revenues equal or exceed the project award, the amount of sales and use tax the jurisdiction may receive is limited to the greater of: (1) The estimated increase in the amount of state excise tax allocation revenues and property tax allocation revenues for the current fiscal year in excess of the revenues for the fiscal year prior to the year in which the tax was first imposed; or (2) the amount of the state contribution in the prior fiscal year.

When determining the amount of tax for a sponsoring jurisdiction, the Department of Revenue may include adjustments as needed to separately analyze the effects of the public improvements financed by the local infrastructure financing tool program from negative effects of economic conditions.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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