HOUSE BILL REPORT
HB 2933

As Reported by House Committee On:
Finance

Title: An act relating to modifying sales and use tax provisions for the local infrastructure financing tool program.

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

Sponsors: Representatives Ericks, Morrell and Dammeier.

Brief History:

Committee Activity:

Finance: 1/29/10, 2/9/10 [DPS].

Brief Summary of Substitute Bill

- Revises the requirements that must be met before a sponsoring jurisdiction can impose a local sales and use tax under the local infrastructure financing tool program.
- Modifies the maximum state contribution calculation by including the highest amount of state allocation revenues as a limiting condition.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Conway, Ericks and Springer.

Minority Report: Without recommendation. Signed by 2 members: Representatives Condotta and Santos.

Staff: Susan Howson (786-7142).

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.

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.

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 and $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), Mount 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 Substitute Bill:

No local sales and use tax may be imposed until a sponsoring jurisdiction reports to the Department of Revenue (DOR) and the Community Economic Revitalization Board (CERB) that the state has benefitted through the receipt of state allocation revenues. This replaces the requirement that state allocation revenues must exceed the project award amount before the local sales and use tax can be initially imposed.

The maximum state contribution for a LIFT project in any calendar year is limited to the highest amount of state allocation revenues in any preceding year as reported to the DOR and the CERB.

Substitute Bill Compared to Original Bill:

The requirements that must be met before a sponsoring jurisdiction can impose a local sales and use tax under the LIFT program are clarified. A limitation is added to the calculation for the maximum state contribution.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: 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 is for a City of Bothell LIFT project awarded in 2007. The original intention was to find a way to do tax increment financing that was constitutional and acceptable. If the state and city work together, we can create local economic revitalization that brings benefits to the state. When prior changes were made to the LIFT program, it had unintended consequences on the City of Bothell. This bill fixes those consequences. Considerable investment has already been made into this project and we are ready to proceed, depending on the outcome of this bill. With this bill the City of Bothell will be able to revitalize the downtown area, creating local economic stimulus and jobs.

(Opposed) None.

Persons Testifying: Representative Ericks, prime sponsor; and Bob Stowe, City of Bothell.

Persons Signed In To Testify But Not Testifying: None.