HOUSE BILL REPORT
HB 1574

As Reported by House Committee On:
Ways & Means

Title: An act relating to extending the public facility district sales and use tax for certain regional centers.

Brief Description: Extending the public facility district sales and use tax for certain regional centers.

Sponsors: Representatives Ormsby, Crouse, Billig, Parker, Roberts, Liias and Sullivan.

Brief History:
Committee Activity:
Ways & Means: 2/25/11 [DPS].

Brief Summary of Substitute Bill

- Extends the maximum period for which the public facility district sales and use tax credit can be imposed from 20 to 35 years.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Haigh, Haler, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 11 members: Representatives Hasegawa, Vice Chair; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Hinkle, Hudgins and Wilcox.

Staff: Rick Peterson (786-7150).

Background:

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.

Public facilities districts (PFDs) are municipal corporations with independent taxing authority and are taxing districts under the Washington Constitution. There are two enabling statutes, one for counties (County PFDs) and another for cities and joint arrangements between a group of cities or a county and one or more cities (City PFDs). Governance provisions are spelled out for these districts.

County PFDs may be created in any county. The boundaries of a County PFD are co-extensive with the boundaries of the county. Many County PFD provisions were modified as part of the baseball stadium legislation in 1995. County PFDs may construct, improve, or remodel sports facilities, entertainment facilities, convention facilities, or regional centers as defined above. County PFDs may be funded through a combination of: (1) charges and fees for the use of facilities by organizations; (2) taxes on admission charges; (3) taxes on vehicle parking charges; (4) voter-approved sales and use taxes; (5) credits against the state sales and use tax; (6) lodging taxes; (7) voter-approved property taxes; and (8) bonds. King County contains one County PFD created for the purpose of the construction, maintenance, and operation of Safeco Field, the baseball stadium.

State law authorizes a PFD to impose a local sales and use tax of up to 0.033 percent to finance regional centers. Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. This tax is not an additional tax for consumers, and it does not change the overall retail sales or use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the State General Fund. Authority to levy the tax is limited to districts that were created by certain dates and commenced the construction, improvement, or rehabilitation of eligible projects prior to certain dates.

Once imposed, the tax may remain in place until bonds that finance the construction of the facility are retired, but in no case may the tax be levied for longer than 20 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds must be obtained for the project. First levied in August 2000, the tax is currently utilized to fund 22 projects throughout the state.

Summary of Substitute Bill:

The 20 year maximum period in which the PFDs sales and use tax credit can be imposed is increased to 35 years. Once imposed, the tax is authorized to remain in place until bonds that finance the construction, as well as the improvement, rehabilitation, or expansion of the facility are retired but not longer than 35 years. The tax rate available for the additional 15 years is reduced by one-half.

Substitute Bill Compared to Original Bill:

The substitute bill reduces the PFD tax rate by one-half for the additional 15 years.

Appropriation: None.

Fiscal Note: Requested on February 25, 2011.

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) The proposal will assist Spokane to expand their convention center. It is a $60 million project. The current facility is too small. The Spokane PFD last year received about $2.3 million from the state sales tax credit and returned $3.1 million in economic impact to the state from convention activities. The credit has been an incredible economic tool for Spokane. Unemployment among sheet metal workers in Spokane is about 70 percent. This project will create good jobs during dim times. In the 15 years since this program started, a number of wonderful projects have been started in southwest Washington and none of these projects would have started without the PFD process. We would like to have more resources and do more good projects and this bill would allow that. The date changes in the bill will allow a new project to be located in Port Orchard. Those in that have been paying into the PFD will be able to benefit from a project located near their city.

(Opposed) None.

Persons Testifying: Tom Parker, Spokane Public Facilities District; Cody Arledge, Sheetmetal Workers 66; Mark Brown, Cities of Lacey, Longview, and Vancouver; and Briahna Taylor, Cities of Port Orchard and Tacoma, Snohomish County.

Persons Signed In To Testify But Not Testifying: None.