

HOUSE BILL REPORT

SB 5401

As Reported by House Committee On:
Community & Economic Development & Housing

Title: An act relating to authorizing use of sales and use tax proceeds for certain public facilities in innovation partnership zones for economic development purposes.

Brief Description: Authorizing use of sales and use tax proceeds for certain public facilities in innovation partnership zones for economic development purposes.

Sponsors: Senators Chase, Kastama and McAuliffe.

Brief History:

Committee Activity:

Community & Economic Development & Housing: 2/16/12, 2/20/12 [DP].

Brief Summary of Bill

- Expands the allowable uses of rural county sales and use tax proceeds for public facilities serving economic development purposes to include certain facilities in Innovation Partnership Zones.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass. Signed by 6 members: Representatives Kenney, Chair; Finn, Vice Chair; Maxwell, Ryu, Santos and Walsh.

Minority Report: Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern.

Staff: Jennifer Thornton (786-7147).

Background:

Innovation Partnership Zones.

In 2007 the Legislature directed the Department of Community, Trade and Economic Development (now the Department of Commerce) to design and implement an Innovation

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.

Partnership Zone (IPZ) program through which the state would encourage and support research institutions, workforce training organizations, and globally competitive companies working cooperatively in close geographic proximity to create commercially viable products and jobs.

Using specified criteria, the Department of Commerce, with the advice of the Washington Economic Development Commission, designates the IPZs for a period of four years. An IPZ may renew its designation through a reapplication process, and may lose its designation for failure to meet performance standards. The IPZs are eligible for funds as provided by the Legislature or at the discretion of the Governor. There are currently 14 IPZs in Washington.

Rural County Sales and Use Tax.

Rural counties may impose a local option sales and use tax of up to 0.09 percent. For purposes of the local option tax, rural counties are defined as those with a population density of less than 100 persons per square mile, or smaller than 225 square miles. The tax is deducted from the state's 6.5 percent sales tax.

Revenues from this local option tax may only be used for the purposes of financing public facilities serving economic development purposes and financing personnel in economic development offices. Public facilities must be listed as an officially adopted item in a county's overall economic development plan, the economic development section of the comprehensive plan, or listed in the capital facilities plan.

Summary of Bill:

For the purposes of using rural county sales and use tax proceeds to finance public facilities serving economic development purposes, the definition of public facilities is expanded to include research, testing, training, and incubation facilities in IPZs.

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 and Senate Bill 5404 are best understood in the context of a story about the makers and the shoppers. The economic health of the State's General Fund, counties, and cities is 50 percent dependent on sales tax. Economic recovery is based upon consumers going shopping all over our state, which requires enough money to buy things that generate sales tax. These two bills will help local people begin to make products that can be sold around the nation and the world, and bring cash back so it can be circulated through the rest

of our economy. These two small incentives will help spread the money around the state and are important for Washington's economic recovery. While there is not an IPZ in Lewis County, we look forward to working toward having one. Having the ability to use our 0.09 funds with additional flexibility for creating more enterprise and innovation would be helpful.

(Opposed) None.

Persons Testifying: Senator Chase, prime sponsor; and Dick Larman, Lewis Economic Development Council.

Persons Signed In To Testify But Not Testifying: None.