February 23, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing, and Trade

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: HB 1779 - Financing qualifying public facilities with a rural county sales and use tax.

Brief Summary of Bill

- Renames the distressed county local option sales and use tax the rural county local option sales and use tax and increases the tax rate from 0.04 percent to 0.08 percent.
- Defines a qualified public facility that can be financed with proceeds from the sales and use tax.
- Defines a rural county based on a population density of less than 100 people per square mile.

BACKGROUND:

In 1997, the Legislature passed legislation to allow a distressed county to impose a 0.04 percent local sales and use tax on all retail sales in the county. The tax is credited against the state's 6.5 percent sales and use tax, therefore the consumer does not see an increase in the amount of tax paid. Revenues from the distressed counties local option sales and use tax must be used to finance public facilities. The legislation did not define a public facility. A distressed county is defined as a county with an average unemployment rate that exceeds the state's average unemployment rate by 20 percent for the previous 3-year period.

SUMMARY:

The distressed county local option sales and use tax is directed to rural counties. The tax rate is increased from 0.04 percent to 0.08 percent. The revenues can only be used for qualifying public facilities that are listed as an item in the county's capital facilities plan or the capital facilities plan of a city located within a rural county.

A public facility is defined as a project of a local government for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of bridges, roads, domestic and industrial water, flood control, earth stabilization, sanitary sewer, storm sewer, railroad, electricity, natural gas, telecommunications, buildings or structures, and port facilities necessary for job creation, retention, or expansion.

A rural county is defined as a county with a population density of less than 100 people per square mile, as determined by the state Office of Financial Management.

Appropriation: None.

Fiscal Note: Requested February 19, 1999.

Effective Date: Ninety days after adjournment of session in which bill is passed.