
Trade & Economic Development Committee

HB 2465

Brief Description: Defining rural counties for purposes of sales and use tax for public facilities.

Sponsors: Representatives Sehlin, Barlean and Kessler.

Brief Summary of Bill

- Modifies the definition of rural county— under the 0.08 percent local option sales and use tax for public facilities in rural counties to include a county that is less than 225 square miles in size.
- Requires that public facilities financed under the 0.08 percent local option sales and use tax must be for private sector job creation or retention activities.

Hearing Date: 1/29/02

Staff: Kenny Pittman (786-7392).

Background:

In 1997, the Legislature authorized a local option sales and use tax for public facilities in distressed counties. A distressed county could impose a 0.04 percent local sales and use tax with the tax being 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. The revenue from the distressed counties' local option sales and use tax must be used to finance public facilities. A public facility was not defined. A distressed county was defined as a county with an average unemployment rate that exceeds the state's unemployment rate by 20 percent for the previous three-year period as determined by the employment security department (Twenty-three counties were eligible under that definition).

In 1999, the Legislature revised the distressed counties' local option sales and use tax to be used in rural counties. The Legislature also increased the local option tax rate from 0.04 percent to 0.08 percent for the rural counties. The revenues from the local option sales and use tax must be used to finance public facilities, in a rural county, that are listed as an item on the county's overall economic development plan, or the economic development section of

the county's comprehensive plan, or the comprehensive plan of a city, or the county's or city's capital facilities plan.

A public facility is defined to mean bridges; roads; domestic and industrial water, sanitary sewer, and storm sewer facilities; earth stabilization; railroad; electricity; natural gas; buildings; structures; telecommunications, transportation, and commercial infrastructure; and port facilities. A rural county is defined as county with a population density of less than 100 persons per square mile as determined by the office of financial management (Thirty-one counties are eligible for the local option sales and use tax using the rural county definition).

Summary of Bill:

The definition of a rural county– under the local option sales and use tax for public facilities in rural counties is modified to include a county that is smaller than 225 square miles as determined by the office of financial management.

The definition of "public facilities" is modified to mean the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of a public facility that creates or retains private sector jobs.

Appropriation: None.

Fiscal Note: Available.

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