

HOUSE BILL REPORT

ESSB 6424

As Reported by House Committee On: Finance

Title: An act relating to local excise tax authorities for counties and cities.

Brief Description: Concerning local excise tax authorities for counties and cities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Regala and Fairley; by request of Governor Gregoire).

Brief History:

Committee Activity:

Finance: 2/24/10, 3/1/10 [DP].

<h4>Brief Summary of Engrossed Substitute Bill</h4>
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- Modifies excise tax provisions for cities and counties.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

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

Staff: Susan Howson (786-7142).

Background:

The 0.3 Percent Voter-Approved Local Sales/Use Tax for Public Safety.

Subject to voter approval, counties may impose a tax up to 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice purposes, fire protection purposes, or both. A levying county retains 60 percent of the receipts, and the remaining 40 percent is distributed to cities within the county on a per capita basis. The use of tax receipts must be stated in the ballot proposition that goes before the voters. Until calendar year 2010, tax receipts could not supplant (replace) existing funds being used for the purpose of the sales

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and use tax as provided in the ballot proposition. In 2009 the Legislature amended this non-supplant restriction, allowing counties to partially supplant existing funds until January 1, 2015. The sales and use tax has been implemented in five counties: Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

The 0.1 Percent Local Sales/Use Tax for Criminal Justice.

Counties may impose a local sales and use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties; however, the receipts are shared with cities: 10 percent goes to the county, and the remaining 90 percent is apportioned to the county and all cities within the county on the basis of population. The initial imposition of the tax is subject to potential referendum by the voters. Currently, 32 counties are levying the tax.

Local Gambling Tax.

Counties, cities, and towns are authorized to impose a tax on gambling activities. Tax rates vary depending upon the type of activity. State law requires any jurisdiction imposing a gambling tax to use the revenue primarily for local gambling enforcement programs.

Real Estate Excise Tax.

The state imposes real estate excise tax (REET) on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase at a rate of 1.28 percent.

The Legislature has also authorized locally-imposed real estate excise taxes. However, the rate at which it can be levied and the uses to which it may be put differs by city or county size, and whether the city or county is planning under the Growth Management Act (GMA).

All cities and counties may levy a quarter percent tax (REET I). Revenues generated from REET I must be used for financing qualifying capital projects and for housing relocation assistance and may not supplant other funds reasonably available for these capital projects. Counties, cities, and towns that are planning under the GMA may levy an additional quarter percent tax on the selling price (REET II). If a county is required to plan under the GMA, the legislative authorities of a county, city, or town located within the county may levy REET II. However, if a county has opted to plan under the GMA, the additional quarter percent tax (REET II) must be approved by the majority voters in the county, city, or town. In general, revenues generated from REET II may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA and may not supplant other funds reasonably available for these capital projects.

Summary of Bill:

The requirement that the 0.3 percent public safety tax not supplant existing funding is removed. The nonsupplant provisions from the 0.1 percent county legislative imposed sales/use tax for criminal justice and language relating to the 1989 base year from which to calculate actual expenditures is removed. Until January 1, 2014, the use of revenues from gambling enforcement to public safety is expanded.

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 is Governor request legislation. Local governments are dealing with the same fiscal challenges the state is facing. This bill is an additional tool to assist local governments in providing the necessary services that we expect them to provide. Revenues were down for 71 percent of Washington cities in 2009 compared to 2008. County commissioners should be trusted to manage their counties and provide balanced budgets without reducing public safety. The title of each ballot measure must still clearly state the purposes for which these proceeds will be used.

(Opposed) None.

Persons Testifying: Senator Regala, prime sponsor; Greg Tompkins, Walla Walla County; Scott Merriman, Association of Washington Counties; Jim Justin, Association of Washington Cities; and Julie Murray, Office of the Governor.

Persons Signed In To Testify But Not Testifying: None.