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**Finance Committee**

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**HB 1201**

**Brief Description:** Concerning the taxing authority of public facilities districts.

**Sponsors:** Representatives Stonier, Orcutt, Harris, Wylie, J. Walsh, Riccelli, Tharinger and Ormsby.

**Brief Summary of Bill**

- Allows a public facilities district to use local sales and use tax proceeds to repay bonds issued not only for construction but also for the expansion, rehabilitation and improvement of regional centers.
- Extends the authorization for two local sales and use taxes for regional centers from up to 25 years to up to 40 years, assuming bonds have not yet been retired.

**Hearing Date:** 1/17/17

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Local Sales and Use Taxes.

State law currently authorizes 25 different types of local sales and use taxes. The most common is a two-part (0.5 percent basic plus 0.5 percent optional) city and county sales and use tax of up to 1 percent. The tax is used for general local purposes. Almost all cities and counties levy the full 1 percent rate. The county sales and use tax is credited against the city tax; however, cities are required to share 15 percent of their tax with the counties. Local sales and use taxes are deposited into the Local Sales and Use Tax Account (Account). On a monthly basis, the State Treasurer distributes taxes in the Account to the jurisdictions imposing local sales and use taxes.

Public Facilities District.

Public facilities districts (PFDs) are corporate municipal bodies with independent taxing authority. State law authorizes a PFD to impose a local sales and use tax of 0.033 percent to finance the construction of regional centers. A PFD that has experienced an annual net loss of at

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least 0.5 percent due to streamlined sales tax destination sourcing may increase its rate up to 0.037 percent. 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.

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. Authority to levy the PFD sales and use tax for regional centers 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. The 0.033 percent tax is currently used to finance 22 projects statewide.

The PFDs in Cowlitz and Yakima counties are also authorized to levy an additional local sales and use tax of 0.02 percent to finance the construction of regional theaters. The same restrictions that apply to the 0.033 percent tax also apply to the 0.02 percent tax.

**Summary of Bill:**

The maximum timeframes within which the PFDs are authorized to levy two local sales and use taxes, one to finance the construction of regional centers and one to finance the construction of regional theaters, are extended from 25 years to 40 years, provided that bonds have not yet been retired. Proceeds from the taxes may be used to retire bonds issued not only for construction but also for the improvement, rehabilitation, or expansion of the regional center (or regional theater) and parking facilities.

**Appropriation:** None.

**Fiscal Note:** Available

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.