

FINAL BILL REPORT

EHB 1201

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Synopsis as Enacted

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

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

House Committee on Finance
Senate Committee on Ways & Means

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 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 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

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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 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:

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 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, so long as the PFD has at least one regional center where construction commenced prior to January 1, 2004.

Votes on Final Passage:

House	89	9
Senate	40	7

Effective: July 23, 2017