# HOUSE BILL REPORT
# HB 2494

**As Reported by House Committee On:**
Finance

**Title**: An act relating to sales and use tax for public facilities in rural or border counties.

**Brief Description**: Concerning sales and use tax for public facilities in rural or border counties.

**Sponsors**: Representatives Stonier, Vick, Wylie, Boehnke, Riccelli, Van Werven and Chapman.

**Brief History:**
**Committee Activity:**
Finance: 2/10/20 [DPS].

**Brief Summary of Substitute Bill**

- Extends the rural county public facilities local sales and use tax to public facilities districts in border counties.

**HOUSE COMMITTEE ON FINANCE**

**Majority Report**: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

**Minority Report**: Without recommendation. Signed by 1 member: Representative Frame.

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

**Background**:

Retail Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Public Facilities Districts.
A public facilities district (PFD) is a municipal corporation with independent taxing authority and is a taxing district under the state Constitution.

A PFD is authorized to acquire, construct, own, remodel, maintain, equip, reequip, repair, finance, and operate one or more regional centers. A "regional center" is a convention, conference, or special events center, or any combination of facilities, and its related parking facilities. A "special events center" is a facility, available to the public, used for community events, sporting events, trade shows, and artistic, musical, theatrical, or other cultural exhibitions, presentations, or performances.

There are several major types of local PFDs that can be created which include a:
- *Single-Town or City PFD:* A single-town or city PFD is created by any town or city located in a county with a population of less than 1 million.
- *Contiguous Group of Towns or Cities PFD:* A contiguous group of towns or cities PFD is created when any contiguous group of towns or cities located in a county or counties each with a population of less than 1 million enter an interlocal agreement for the PFD's creation and joint operation.
- *City-County Joint PFD:* A city-county joint PFD is created and jointly operated (via an interlocal agreement) by: (1) a town or city, or any contiguous group of towns or cities located in a county with a population of 1 million; and (2) a contiguous county, or the county or counties in which the town or cities are located.
- *Regional City PFD:* A regional city PFD is created by a city located in a county with a population greater than 1 million, when the city has a total population of less than 115,000 but greater than 80,000 and commences construction of a regional center prior to July 1, 2008.

Rural Counties.
In 1999 the statutory definition of a "rural county" was revised to include a rural county definition based on population density. In this legislation, "rural county" was defined as a county with a population density of less than 100 persons per square mile. Subsequent legislation expanded the definition to include a county smaller than 225 square miles. This definition is used for several taxes and for assistance programs. The list of qualified counties is updated and maintained by the Office of Financial Management.

Counties meeting the definition of "rural county" as of April 1, 2019, are: Adams, Asotin, Chelan, Clallam, Columbia, Cowlitz, Douglas, Ferry, Franklin, Garfield, Grant, Grays Harbor, Island, Jefferson, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, San Juan, Skagit, Skamania, Stevens, Wahkiakum, Walla Walla, Whitman, and Yakima.

Rural County Public Facilities District.
A rural county may impose a sales and use tax to finance public facilities which serve economic development purposes. The tax may not exceed 0.09 percent and is credited against the state portion of the sales and use tax. The proceeds may be used for costs

associated with financing public facilities serving economic development purposes and finance personnel in economic development offices. The public facility item must be listed as an item in the officially adopted county overall economic development plan.

---

**Summary of Substitute Bill**:

The sales and use tax of 0.09 percent authorized for PFDs in rural counties serving economic development purposes is extended to public facilities districts in border counties. "Border county" is defined as a county contiguous with a state or foreign country.

The sales tax rate is phased in as follows:
- The rate cannot exceed 0.03 percent prior to July 1, 2021.
- The rate cannot exceed 0.06 percent prior to July 1, 2023.
- The rate cannot exceed 0.09 percent prior to July 1, 2025.

Counties that are imposing the 0.09 percent tax as a rural county may continue to impose the 0.09 percent tax as a border county. The sales and use tax is authorized for imposition from July 1, 2021, through December 31, 2052.

The proceeds of the tax may only be used to finance public facilities serving economic development purposes that are intended to create or retain private sector employment, and to finance economic development offices. The public facility must be listed as an item in the officially adopted county overall economic development plan or the county's capital facilities plan or a city or town's capital facilities plan within that county.

A county may delegate their role to the associate development organization (ADO) serving the county. The ADO must submit an annual budget for approval by the county's legislative authority.

Public facilities include public infrastructure such as bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, and railroads.

**Substitute Bill Compared to Original Bill**:

The substitute bill allows counties that are currently imposing the 0.09 percent rate under the rural county designation to continue to impose the 0.09 percent rate under the border county designation. The expiration of the tax authorization is changed to 2052.

---

**Appropriation**: None.

**Fiscal Note**: Available. New fiscal note requested on February 10, 2020.

**Effective Date of Substitute Bill**: The bill takes effect on July 1, 2021.

**Staff Summary of Public Testimony**:

(In support) This legislation will assist economic development in border counties that experience tax revenue leakage over the border. This legislation is critical to attracting and retaining jobs and is one of the most significant and effective economic development tools for rural counties. These areas struggle to attract new businesses and assist existing businesses to expand. The counties included in this legislation face some of the highest unemployment rates in the state. Moreover, border counties face unique revenue and regulatory challenges and are at a competitive disadvantage with communities in neighboring states.

The tax authorized by this bill will allow for significant infrastructure investment and provide a revenue stream for the county to bond against.

Benton County uses the 0.09 percent tax to support new capital infrastructure projects in the community that specifically contribute to job growth and economic diversification. The tax proceeds are distributed among five cities, two ports, and the county. Benton and Whatcom Counties will no longer continue to qualify for this tax as a rural county; however, the extension to border counties will allow those counties to continue to qualify.

The extension of the 0.09 percent tax to include Clark County has bipartisan support. It will assist the other cities in the county that are primarily residential.

(Opposed) None.

**Persons Testifying**: Representative Stonier, prime sponsor; Jerome Delvin, Benton County; John Blom, Clark County; Kate Dean, Jefferson County; Suzanne Dale Estey, Washington Economic Development Association; Brian Kuh, Economic Development Council Team Jefferson; Mike Bomar, Port of Vancouver; and Amber Carter, Identity Clark County and Port of Vancouver.

**Persons Signed In To Testify But Not Testifying**: None.