Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Local Government Committee

HB 1267

Brief Description: Concerning rural public facilities sales and use tax.

Sponsors: Representatives Tharinger, Steele and Ramel.

Brief Summary of Bill

- Extends the expiration for the rural county sales and use tax from 25 years after the date the tax was imposed to December 31, 2054.
- Requires the state auditor to provide a publicly accessible searchable system on its website containing rural county project and expenditure information and the total amount of revenue collected under the rural county sales and use tax.

Hearing Date: 1/24/23

Staff: Elizabeth Allison (786-7129).

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 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 4 percent, depending on the location.

Local Retail Sales and Use Tax for Public Facilities in Rural Counties.

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

The legislative body of a rural county may impose a sales and use tax of up to 0.09 percent of the selling price or value of the article of tangible personal property. The tax is deducted from the state sales and use tax collected.

A rural county is defined as a county with a population density of less than 100 persons per square mile, or counties smaller than 225 square miles, as of April 1, 2021. Currently, there are 30 counties that meet the rural county definition.

The tax may be collected by a county for 25 years after the date that a tax is first imposed. Rural counties that imposed the tax at the 0.09 percent rate before August 1, 2009, may impose the tax for 25 years from the date the county first imposed the tax at the 0.09 percent rate.

Moneys from the local option tax may only be used to finance public facilities serving economic development purposes and to pay for personnel in economic development offices. "Economic development purposes" means those purposes which facilitate the creation or retention of businesses and jobs in a county.

A public facility must be listed as an item in a county's officially adopted overall economic development plan, the economic development section of the county's comprehensive plan, or the comprehensive plan of a city or town located within the county planning under the Growth Management Act (GMA), or provide affordable workforce housing infrastructure or facilities. For counties that do not have an adopted overall economic development plan and do not plan under the GMA, the public facility must be listed in the county's capital facilities plan or the capital facilities plan of a city or town located within the county, or provide affordable workforce housing infrastructure or facilities.

"Public facilities" are defined as bridges; roads; domestic and industrial water facilities; sanitary sewer facilities; earth stabilization; storm sewer facilities; railroads; electrical facilities; natural gas facilities; research, testing, training, and incubation facilities in innovation partnership zones; buildings; structures; telecommunications infrastructure; transportation infrastructure; commercial infrastructure; port facilities in the state; or affordable workforce housing infrastructure or facilities.

Counties imposing the sales and use tax must consult with cities, towns, and port districts located with in the county and must report to the state auditor on the following:

- a list of new projects begun during the fiscal year, showing that the county has used the funds for projects consistent with the goals of the sales and use tax; and
- expenditures during the fiscal year on projects begun in a previous year.

Summary of Bill:

The expiration of the sales and use tax that may be collected by rural counties is changed from 25 years after the date that the tax was first imposed to December 31, 2054.

By December 31, 2025, the state auditor must provide a publicly accessible searchable system on its website containing the information reported by rural counties collecting the rural sales and use tax. The searchable system must also include the total amount of revenue from the sales and use tax collected by the county in the prior fiscal year.

Appropriation: None.

Fiscal Note: Requested on January 18, 2023.

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