
Local Government Committee

HB 2211

Brief Description: Granting local taxing authority to fund criminal justice.

Sponsors: Representatives Stearns, Orwall, Gregerson, Chapman, Hackney, Fosse and Goodman.

Brief Summary of Bill

- Provides a county legislative authority until January 1, 2027, to impose a criminal justice sales and use tax without voter approval.
- Provides a city within a county that has not imposed the sales and use tax at the full rate by July 1, 2024, until January 1, 2027, to legislatively impose the remainder of the tax up to the full rate.
- Adds co-responder and diversion treatment services to the definition of criminal justice purposes for which a second sales and use tax can be used.

Hearing Date: 1/16/24

Staff: Kellen Wright (786-7134).

Background:

A sales tax is a tax applied to the sale, rental, repair, or installation of tangible person property, digital products, or some services purchased for the buyer's own use. It is a percentage tax based on the selling price of the items. A use tax is similar, except that it applies to the value of goods used within the state when a sales tax for them has not been paid. For example, a sales tax would be imposed on the sale of a car inside Washington, while a use tax would be imposed on a car purchased outside of Washington when it is registered in Washington if no sales tax, or a sales tax at a lower rate than Washington's, was paid at the time of purchase.

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 state imposes a sales and use tax at a rate of 6.5 percent of the selling price or value of the article sold or used. Counties and cities can also impose sales and use taxes when authorized to do so by the Legislature. The Legislature has authorized a variety of such taxes.

As well as controlling if a tax can be imposed, the Legislature also can determine what the revenue from the tax can be used for. For some taxes, the Legislature has allowed the revenue to be used for any government purpose, while with other taxes the Legislature has mandated that the revenue can only be used for certain designated purposes.

Sales and Use Taxes for Criminal Justice Purposes.

With one sales and use tax (the "first tax"), the Legislature has adopted a mixed approach. The Legislature has allowed most of the tax to be used for any purpose, but required a third of the tax to be used solely for criminal justice and/or fire protection purposes.

This first tax is available to both counties and cities, but can only be imposed by either a county or a city after being approved by voters. A county can impose the tax at a rate of up to 0.3 percent, while a city can impose the tax at a rate of up to 0.1 percent. The total rate of the tax, however, is capped at 0.3 percent. That means that, if both a city and a county were to try and impose the tax at the maximum rate, either the county or the city would have its rate of tax reduced so that no more than 0.3 percent total was collected. Which tax is reduced depends on whether it was the county or the city that first imposed the tax. If the county imposed the tax first, then the city's rate would be reduced, while it would be the county's tax that would be reduced if the city was the first to impose the tax.

Whether a city has imposed the tax or not, a county that imposes the tax must distribute 40 percent of the revenue to cities within the county on a per capita basis. Cities that impose the tax, meanwhile, must distribute 15 percent of the revenue they collect under the tax to the county.

The Legislature has also authorized another sales and use tax for criminal justice purposes (the "second tax"). Only counties can impose this second tax. This tax may be imposed legislatively by ordinance, but may be subject to repeal by referendum. The referendum occurs if, within seven days of the passage of the ordinance imposing the tax, a referendum petition is filed and, within 30 days of the petition being filed, at least 15 percent of registered voters in the county sign on to the petition. If subject to a referendum, the tax must be approved or repealed by voters at an election.

If the tax is not repealed by referendum, it can be imposed at a rate of up to 0.1 percent. A county that imposes the tax receives 10 percent of the revenue from the tax, while the remainder of the revenue is divided between the county and cities within the county on a per capita basis. All of the revenue from this tax must be used for criminal justice purposes. Counties and cities may use the revenue of this tax pursuant to an interlocal agreement for criminal justice purposes of mutual benefit.

The sale and use of motor vehicles, and leases of motor vehicles of up to 36 months, are exempt from both taxes. For both taxes, criminal justice purposes are defined as activities that substantially assist the criminal justice system, including domestic violence services.

Summary of Bill:

Until January 1, 2027, a county may impose the first tax legislatively. If a county has not imposed the tax at the full rate of 0.3 percent by July 1, 2024, then, until January 1, 2027, a city within the county may impose the remainder of the tax, up to the full rate of the tax, legislatively. Just as when the tax is adopted following a vote, the total combined rate of the tax may not exceed 0.3 percent when it is legislatively adopted.

If the first tax is imposed legislatively, then all of the revenue from the tax must be used for criminal justice purposes. Additionally, the total amount of funding put toward criminal justice purposes must be higher after the imposition of the tax than it was prior to the tax being imposed.

The definition of criminal justice purposes for the first tax is removed.

The definition of criminal justice purposes for the second tax includes co-responder and diversion treatment services.

Appropriation: None.

Fiscal Note: Requested on January 9, 2024.

Effective Date: The bill contains an emergency clause and takes effect immediately.