

SENATE BILL REPORT

SHB 1267

As Reported by Senate Committee On:
Local Government, Land Use & Tribal Affairs, March 14, 2023
Ways & Means, April 4, 2023

Title: An act relating to rural public facilities sales and use tax.

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

Sponsors: House Committee on Local Government (originally sponsored by Representatives Tharinger, Steele and Ramel).

Brief History: Passed House: 2/27/23, 95-0.

Committee Activity: Local Government, Land Use & Tribal Affairs: 3/14/23 [DP-WM].
Ways & Means: 3/21/23, 4/04/23 [DPA, w/oRec].

Brief Summary of Amended Bill

- Extends until December 31, 2054, the expiration of the local sales and use tax for public facilities in rural counties for those counties imposing the tax prior to August 1, 2009.
- Requires the state auditor to provide a publicly accessible report on its website to view county project and expenditure information of rural county public facilities sales and use tax proceeds.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Torres, Ranking Member; Kauffman and Short.

Staff: Karen Epps (786-7424)

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.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hunt, Keiser, Muzzall, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: That it be referred without recommendation.

Signed by Senators Hasegawa, Nguyen and Pedersen.

Staff: Jeffrey Mitchell (786-7438)

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 for Public Facilities in Rural Counties. Rural counties may impose a 0.09 percent sales and use tax (rural public facility tax), credited against the state rate, to fund certain public facilities and economic development activities or to provide affordable workforce housing facilities. For counties imposing the rural public facility tax at 0.09 percent prior to August 1, 2009, the tax expires 25 years after the tax was first imposed.

Public facilities generally include telecommunications infrastructure, transportation infrastructure, commercial infrastructure, some utilities infrastructure, affordable workforce housing infrastructure or facilities, and other specifically identified facilities. The rural public facility tax may also be used to finance public facilities serving economic development purposes, and to pay for personnel in economic development offices.

A public facility must be listed as an item in the officially adopted county overall economic development plan; the economic development section of the county's comprehensive plan; the comprehensive plan of a city or town located within the county, for those counties planning under the Growth Management Act; or provide affordable workforce housing infrastructure or facilities.

Affordable workforce housing infrastructure or facilities includes housing infrastructure or facilities for a single person, family, or unrelated persons living together whose income is at

least 60 percent and no more than 120 percent of the median income, adjusted for housing size, for the county where the housing is located.

Counties imposing the rural public facility tax must consult with cities, towns, and port districts located within 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 rural public facility tax; and
- expenditures during the fiscal year on projects begun in a previous year.

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

Within 150 days after the close of each fiscal year, counties must submit an annual report providing information about the projects funded by the tax.

Summary of Amended Bill: For counties imposing the rural public facility tax prior to August 1, 2009, the tax expires December 31, 2054.

Counties must provide details about each new and continuing public facility project, economic development purpose project, affordable workforce housing infrastructure or facilities project, economic development staff position, and qualifying provider project funded with the tax.

The state auditor is required to develop a standardized expenditure report for the project information and other expenditure information included in the annual report submitted by counties. By July 1, 2024, the state auditor must provide a publicly accessible report on its website containing project information and expenditure information reported by counties collecting the tax. The searchable system must also include the total amount of revenue from the rural public facility tax collected by the county in the prior fiscal year. Reports filed in 2024 containing 2023 expenditure data and thereafter must be part of the publicly accessible report.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Requires counties to identify in detail public facility projects and staff positions funded by the rural county sales and use tax.
- Requires the state auditor to develop a standardized expenditure report to facilitate the collection of detailed and uniform information from counties regarding their use of rural county sales and use tax proceeds beginning with reports filed in 2024 based on 2023 expenditures.
- Moves up the timeline for the state auditor to provide a publicly accessible report on its website from December 31, 2027, to July 1, 2024. Makes technical updates and

modifications.

- Allows Garfield County to qualify for the extension of the rural county sales and use tax.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Local Government, Land Use & Tribal Affairs):
No public hearing was held.

Persons Testifying (Local Government, Land Use & Tribal Affairs): N/A

Persons Signed In To Testify But Not Testifying (Local Government, Land Use & Tribal Affairs): N/A

Staff Summary of Public Testimony on Substitute House Bill (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: When looking at the data for the reporting requirement, the counties have not been completely consistent in the way data has been reported. We have started working with the state auditor on the consistency of the data reflected in the spreadsheet and improvements should be done in advance of the deadlines in the bill. The rural county sales and use tax is a really important tool for counties. Jefferson County has been using the funds for 15 years to get our new public sewer system shovel ready. It will allow us to take old septic systems offline and allow us to build denser, more affordable housing. These funds are enough to allow us to secure financing. However, if the tax expires, it can't be used for loans and bonds. The funds are also used to match the large amount of state and federal funds available. Counties fully support the requirements for greater transparency and accountability. Port districts are your regional economic development arm and these funds are available to many of our port districts across the state. Even with our current strong economy, fourteen of the counties using the funds are considered distressed counties. Funds have been used for broadband in Skagit county. The leveraging capability of these funds is important.

Persons Testifying (Ways & Means): PRO: Mike Hoover, Washington State Association of Counties; Kate Dean, Jefferson County Commission; Chris Herman, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.