

SENATE BILL REPORT

SB 6113

As Reported By Senate Committee On:
Economic Development, January 28, 2004

Title: An act relating to the use of rural county sales and use tax proceeds.

Brief Description: Ensuring sales and use tax proceeds in rural counties are being used for authorized purposes.

Sponsors: Senators T. Sheldon, Swecker, Haugen, Zarelli, Rasmussen and Benton.

Brief History:

Committee Activity: Economic Development: 1/16/04, 1/28/04 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6113 be substituted therefor, and the substitute bill do pass.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Murray, Schmidt and Shin.

Staff: Jack Brummel (786-7428)

Background: Current law provides that the legislative authority in a rural county may impose a local option sales and use tax of 0.08 percent on all retail sales in the county. The tax is credited against the state's 6.5 percent sales and use tax and thus, the consumer does not see an increase in the amount of tax paid. Revenues from the local option tax may only be used to finance public facilities listed in a local economic development, comprehensive, or capital facilities plan.

Advocates for the local option tax, originally enacted in 1997, saw the tax as a means to enhance infrastructure necessary to local business development. There is concern that, in some instances, the proceeds of the local option tax is not being used for this original purpose.

Summary of Substitute Bill: It is the intent of the Legislature that the local option tax promote the creation, attraction, expansion and retention of businesses and provide for family wage jobs.

Moneys collected under the local option tax in rural counties may only be used to finance public facilities serving economic development purposes. Economic development purposes are those that facilitate the creation or retention of businesses and jobs.

Counties must make yearly reports to the State Auditor on new projects, showing that the funds have been used consistent with the goals and requirements of the act. Existing projects that have bonded against the income stream from the local option tax are not considered new projects.

Substitute Bill Compared to Original Bill: The original bill restricted use of the local option funds if Community, Trade, and Economic Development (CTED) found that the funds distributed the prior year were not used as required. The substitute eliminates the provisions regarding CTED, adds an intent section, and requires a report to the State Auditor on new projects. The substitute provides that existing projects funded with bonds using the local option tax income stream are not considered new projects.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Surveys conducted by CTED in 2000 and 2001 looked at the uses of the funds and found effective partnering. It is good to clarify in the way this bill does. This program has been an excellent economic development tool. Funding infrastructure is a top problem.

Testimony Against: This should be a forward looking process rather than looking back. The bill implies that public sector jobs aren't important. CTED's role is too heavy-handed. Don't make counties go through some other agency to make the decisions. **CONCERNS:** CTED would shift to a regulatory role with an implied cost. Counties should be allowed an appeal process and a chance to fix the problem. Would like an advisory group required at the local level.

Testified: Karen Berkholtz, CTED; Ron Newbry, WA Economic Development Assn.; Michael Tracy, Grays Harbor Economic Dev. Council; Bill Lotto, Lewis County Economic Dev. Assn. (pro); Darcie Nielson, San Juan County; Paul Parker, WA Assn. of Counties (con); Jim Potts, Legislative Liaison for Rural Counties; Bob Beerbower, Grays Harbor County; George Raiter, Cowlitz County; Scott Taylor, WA Public Ports Assn. (pro).