

HOUSE BILL REPORT

HB 1155

As Reported by House Committee On:
Local Government

Title: An act relating to county sales and use taxes.

Brief Description: Modifying county and city sales and use tax provisions.

Sponsors: Representatives Upthegrove, Jarrett, B. Sullivan, Haler, Clibborn, Simpson and McIntire.

Brief History:

Committee Activity:

Local Government: 1/26/05, 2/9/05 [DP].

Brief Summary of Bill

- Allows the proceeds from a voter-approved sales and use tax to supplant existing funds that had previously been used for the purposes stated in the ballot measure in which the tax was approved.
- Eliminates the requirement that one third of all funds obtained via voter-approved sales or use taxes be used for criminal justice purposes.
- Revises election requirements for the approval of county sales or use taxes so as to allow a special election to be held for the determination of the issue and eliminates the requirement that a proposal for a county sales or use tax be submitted to the voters only at a primary or general election.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 4 members: Representatives Simpson, Chair; Clibborn, Vice Chair; B. Sullivan and Takko.

Minority Report: Do not pass. Signed by 3 members: Representatives Schindler, Ranking Minority Member; Ahern, Assistant Ranking Minority Member; and Woods.

Staff: Thamas Osborn (786-7129).

Background:

State law allows a county to impose a sales and use tax provided such tax is approved by the majority of the voters through a ballot measure considered at a primary or general election.

The ballot measure must clearly describe the purposes for which the tax is to be used. The tax rate is limited to three-tenths of 1 percent of either the selling price or the value of the article used. Except for certain types of automobile leases, the tax cannot be imposed on either the sale, use, or leasing of motor vehicles.

The use of the funds obtained through the tax is subject to several conditions and restrictions, including:

- the funds raised through the tax cannot supplant existing funds that are available for the purposes described in the ballot measure;
- one-third of the tax proceeds must be used solely for "criminal justice purposes," which are defined to include additional police protection, mitigation of congested court systems, or the relief of overcrowded jails or other local correctional facilities; and
- sixty percent of the tax money must be allocated to the county and the remaining 40 percent must be distributed to cities on a per capita basis.

Summary of Bill:

The proceeds from the voter-approved sales and use tax may be used to supplant existing funds that had previously been used for the purposes stated in the ballot measure in which the tax was approved.

Counties and cities are granted broad discretion in the use of the funds obtained through the tax and are no longer subject to the requirement that one-third of all such funds be used for criminal justice purposes.

Revises election requirements for the voter approval of county sales or use taxes so as to allow a special election to be held for the determination of the issue. The requirement that a proposal for a county sales or use tax be submitted to the voters *only* at a primary or general election is eliminated.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill represents a joint effort by counties and cities and significantly changes existing law by eliminating the "non-supplanting" language, allowing the vote to take place in the course of any county election, and eliminating the requirement that one-third of all funds raised by the tax be used for criminal justice purposes. Allowing "supplanting" to occur will allow for the more efficient use of tax monies. The provisions of the bill are

necessary because the current statute is much too inflexible in how it allows the voter-approved tax money to be used. Because of this inflexibility, few counties have utilized the opportunity to obtain the sales and use taxes allowed by the statute. The "non-supplanting" clause in the current statute does not allow counties to shift funds as needed, which can have negative consequences with respect to such things as eligibility for federal grants. Counties need the flexibility to shift money among various budget accounts so as to serve their most pressing fiscal needs. The textual requirements for the voter ballots ensures that the monies raised through the tax will be used in ways desired by the voters. The statute should be further amended so as to eliminate the requirement that the tax proceeds be split between counties and cities at a ratio of 60 percent to 40 percent, respectively.

Testimony Against: None.

Persons Testifying: Greg Tompkins, Walla Walla County; Paul Parker, Washington State Association of Counties; Jim Justin, Association of Washington Cities; and George Hadley.

Persons Signed In To Testify But Not Testifying: None.