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**Community & Economic  
Development & Trade Committee**

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**HB 1543**

**Brief Description:** Authorizing the use of local retail taxes to finance economic development officers.

**Sponsors:** Representatives Buri, Grant, Dunshee, Ahern, Hailey, Pettigrew, Kretz, Bailey, Linville and Moeller.

**Brief Summary of Bill**

- Authorizes the revenues from the optional 0.08 percent local sales and use tax for rural counties to be used for the employment of economic development officers.

**Hearing Date:** 1/29/07

**Staff:** Tracey Taylor (786-7196).

**Background:**

Sales & Use Tax

Washington levies a sales tax on the selling price of tangible personal property and certain services purchased at retail. This includes goods, construction including labor, repair of tangible personal property, lodging for less than 30 days, and some personal and professional services, such as landscape maintenance and physical fitness. The state retail sales tax is 6.5 percent. The state sales tax is collected from purchasers by retail vendors at the time of sale using the tax rate schedules provided by the Department of Revenue (DOR). Total transactions are reported in the seller's combined excise tax return (CETR) and receipts are forwarded to the DOR on a monthly or quarterly basis. In fiscal year 2004, the state retail sales tax generated \$5.791 billion in revenue.

For items used in Washington, but the acquisition of which was not subject to the Washington retail sales tax, the Washington use tax is applied. This includes purchases made from out-of-state sellers, including catalog and Internet purchases, purchases from sellers who are not required to

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collect sales tax, items produced for use by the producer, and gifts and prizes. The tax is measured by the value of the item at the time of the first use within Washington, excluding any delivery charges. The state use tax rate is the same as the state retail sales tax 6.5 percent just as the state taxes the sale of tangible personal property and some services purchased at retail, cities and counties may levy a local sales and use tax. State law currently authorizes 17 different types of local sales and use taxes. There is: a basic 0.5 percent tax for cities and counties; an optional tax of up to 0.5 percent for cities and counties; three local taxes for the support of transportation programs; a tax of up to 1 percent to fund high capacity transportation; two taxes for funding criminal justice or public safety programs; taxes of 0.1 percent each for public facilities, juvenile correctional facilities, zoos and emergency communications facilities; two state-credited taxes to finance professional sports stadiums; and two state-credited taxes to support rural counties and regional centers.

#### Optional Rural Counties Sales and Use Tax

Rural counties are authorized to impose a local sales and use tax of up to 0.08 percent. Eligible counties are those with an average population density of less than 100 residents per square mile or one that is smaller than 225 square miles. Currently, 32 counties qualify under this definition and all are currently levying the tax. The revenues from this tax must only be used for the financing of public facilities for economic development purposes. These include street improvements, bridges, and water and sewer systems. This is not an additional tax on consumers and does not alter the overall sales and use tax rate in a locality. Rather, the receipts collected are credited against the state 6.5 percent tax. Once the tax is levied, it may continue for up to 25 years.

#### **Summary of Bill:**

Revenues generated by the local sales and use tax for economic development facilities may also be used for the employment of economic development officers. An economic development officer is defined as a person employed by a county or Associate Development Organization, who promotes economic development purposes within the county.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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