FINAL BILL REPORT
SB 6196

C 209 L 08

Synopsis as Enacted

Brief Description: Modifying definitions applicable to local infrastructure financing tool program demonstration projects.

Sponsors: Senators Pridemore, Zarelli and Kastama.

Senate Committee on Ways & Means
House Committee on Finance

Background: Tax increment financing is a method of redistributing increased tax revenues within a geographic area resulting from a public investment in order to pay for the bonds to construct the project.

In 2006 the Legislature created a new form of tax increment financing, the Local Infrastructure Financing Tool (LIFT) Program, to encourage private investment in community revitalization areas. The LIFT program assists local governments in making public improvements, such as streets, sidewalks, traffic controls, and parking. Public improvement projects in revenue development areas (RDA) are financed through a local sales and use tax that is credited against the state sales and use tax and matched with local resources, such as excess receipts from local sales/use and property taxes. The state contribution limit is $7.5 million per year. The new local sales and use tax must be used for the purpose of principal and interest payments on bonds issued for a project, but may also be used to pay the public improvement costs on a pay-as-you-go basis for the first five years.

The LIFT Projects are approved by the Community Economic Revitalization Board, in consultation with the Department of Revenue (DOR) and the Department of Community, Trade and Economic Development through a competitive application process ending in 2008. There are three local demonstration projects:
- the Bellingham waterfront redevelopment project (up to $1 million);
- the Spokane River district project at Liberty Lake (up to $1 million); and
- the Vancouver Riverwest project (up to $500,000).

The LIFT program expires June 30, 2039.

The local government that creates an RDA may use annually any excess excise taxes received by it from taxable activity within the RDA to finance the public improvement costs financed in whole or in part by local infrastructure financing.

The local excise tax allocation revenue is the amount of excise taxes received by a local government during the measurement year within the RDA over and above the amount of excise taxes received there during the base year from taxable income within the RDA. The base year is the first calendar year following the creation of the RDA and the measurement year is a calendar year, beginning with the calendar year following the base year, that is used annually to measure the amount of excess excise taxes required to be used to finance the public improvement costs. However, if no excise taxes were received in the RDA in the 12 months prior to the creation of the area, then the excess excise taxes are the total amount of excise taxes received in each calendar year after the area is created.

Summary: For purposes of determining "local excise tax allocation revenue," if no local excise tax distributions were received in the RDA between August 1, 2008, and December 31, 2008, the "local excise tax allocation revenue" means the entire amount of local excise taxes received by the sponsoring local government during a calendar year period beginning with 2009 and continuing with each measurement year thereafter.

Votes on Final Passage:

Senate	47	0
House	96	0

Effective: June 12, 2008