

SENATE BILL REPORT

SB 6476

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, January 29, 2008

Title: An act relating to the sales and use tax rate for public facilities in rural counties.

Brief Description: Concerning the sales and use tax rate for public facilities in rural counties.

Sponsors: Senators Hatfield, Morton, Haugen, McCaslin, Hargrove, Kastama, Zarelli, Delvin and Rasmussen.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/29/08 [DP-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Morton and Shin.

Staff: Sam Thompson (786-7413)

Background: Sales and use taxes are imposed by the state, counties, and cities. Cumulative tax rates vary between 7 and 8.9 percent, depending on location. Rural counties, defined as those with population densities of less than 100 persons per square mile or those smaller than 225 square miles, may impose a local option sales and use tax of up to .09 percent. This tax is credited against the state's 6.5 percent sales and use tax. Revenue may only be used to finance public facilities serving economic development purposes—e.g., street improvements, bridges, and water/sewer systems. A county may collect the tax for up to 25 years. All 32 counties eligible to impose the tax currently do so.

Summary of Bill: Maximum rates for the local option sales and use tax imposed to finance public facilities in rural counties are set by population levels, as follows:

- 25,000 or more—0.09 percent (currently applicable to Benton, Chelan, Clallam, Cowlitz, Douglas, Franklin, Grant, Grays Harbor, Island, Jefferson, Kittitas, Lewis, Mason, Okanogan, Skagit, Stevens, Walla Walla, Whatcom, Whitman, and Yakima counties);
- between 15,000 and 24,999—0.11 percent (currently applicable to Adams, Asotin, Klickitat, Pacific, and San Juan counties);
- Between 10,000 and 14,999—0.25 percent (currently applicable to Lincoln, Pend Oreille, and Skamania counties); and
- Under 10,000—0.65 percent (currently applicable to Columbia, Ferry, Garfield, and Wahkiakum counties).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

County populations will be determined by the most recent census, population estimate by the Office of Financial Management (OFM), or special county census as certified by OFM.

The limit on collecting the tax is extended from 25 to 35 years.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect August 1, 2008.

Staff Summary of Public Testimony: PRO: This legislation, giving the state's 12 least populous counties sufficient revenue to finance many needed public improvements, would assure a steady stream of revenue to facilitate bond financing. While 2007 legislation boosted the maximum tax rate from .08 to .09 percent, revenue is still very low in these counties. Tax rate increases proposed in this legislation were calculated to provide the counties with approximately \$200,000 to \$250,000 in annual revenue, enabling them to undertake significant long-delayed projects. Extending the 25-year limit on collecting the tax to 35 years is necessary because counties that levied the tax immediately after it was authorized in 1998 may only do so for 15 more years. The "flexible money" facilitated in this legislation enables small rural counties to commence projects relatively quickly, without the delays and difficult local matching fund requirements arising under state grant programs.

Persons Testifying: PRO: Julie Murray, Washington State Association of Counties; County Commissioner Mike Blankenship, Ferry County; County Commissioner Blair Brady, Wahkiakum County; George Walk, Pierce County; Roger Krug, Adams County Economic Development.