SENATE BILL REPORT
SB 5748

As of February 24, 2025

Title: An act relating to incentivizing the substantial reduction or elimination of impact fees.

Brief Description: Incentivizing the substantial reduction or elimination of impact fees.

Sponsors: Senators Wilson, J., Harris, McCune, Goehner, Holy, Warnick and Wagoner.

Brief History:
Committee Activity: Ways & Means: 2/25/25.

Brief Summary of Bill

- Authorizes cities and counties to impose a sales and use tax, subject to voter approval, as a replacement for impact fees.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.1 percent, depending on the location.

Impact Fees. Impact fees are one-time charges assessed by a local government on new development activities to help pay for the increased services that will be required because of new growth and development. Development activity includes any construction or expansion of a building or use, any change in use of a building, or any change in the use of land, that

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creates an additional need for public facilities. Approval of a new development may be conditioned on the payment of impact fees. Local governments planning under the Growth Management Act are authorized to impose impact fees for public streets and roads, publicly owned parks and recreation facilities, school facilities, and fire protection facilities. Impact fees may only be used on public facilities that are included in the capital facilities element of the comprehensive plan. The public facilities must be reasonably related to the new development, must reasonably benefit it, and must be designed to provide service areas to the community at large. The public facilities on which impact fees can be spent are public streets and roads; publicly owned parks, open spaces, and recreation facilities; school facilities; and fire protection facilities.

Summary of Bill: The governing body of any county or city is authorized to impose a local sales and use tax, subject to voter approval. The county or city may impose the tax only if the county or city first adopts by resolution or ordinance to substantially reduce or eliminate impact fees. A substantial reduction is defined to mean the schedule of impact fees adopted by the city or county has been modified to reduce impact fee collections on development activity by 50 percent or more.

The rate of tax may not exceed 1 percent; however, the governing body of the county or city must set the rate of tax at an amount that is generally commensurate with the anticipated cost of public facilities necessitated by new development less anticipated impact fee collections. The governing body of the city or county must review the tax rate every three years.

Tax revenues must be expended for the purposes for which the impact fees reduced or eliminated were originally imposed and specifically earmarked and retained for each type of public facility for which impact fees would have been collected.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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