

SENATE BILL REPORT

SB 6789

As Reported By Senate Committee On:
Ways & Means, February 6, 2006

Title: An act relating to the authorized uses of county sales and use taxes imposed under RCW 82.14.450.

Brief Description: Modifying the authorized uses of certain county sales and use taxes.

Sponsors: Senators Brown, Doumit, Morton and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/1/06, 2/6/06 [DPS, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6789 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Fairley, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Roach and Schoesler.

Staff: Terry Wilson (786-7433)

Background: The state retail sales tax is paid on each retail sale of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property and certain services when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms. The state imposes a general tax of 6.5 percent of the selling price in the case of the sales tax and of the value of the article used in the case of the use tax. An additional sales and use tax of 0.3 percent applies to the sale and use of motor vehicles other than farm tractors or farm vehicles, off-road and non-highway vehicles, and snowmobiles.

Cities and counties may impose several taxes:

- Cities and counties may impose local sales and use taxes of 1.0 percent for general purposes.
- Counties may impose a tax of 0.1 percent which is shared with the cities for criminal justice purposes. This tax is subject to referendum.
- Counties may impose a tax of 0.1 percent for chemical dependency and mental health treatment services and therapeutic court programs.

- Counties under one million in population may impose a tax of 0.1 percent for juvenile detention and jail facilities, subject to voter approval.
- Counties between 500,000 and one million in population may impose a tax of 0.1 percent for zoos and aquariums if jointly requested by a city over 150,000 in population and a metropolitan park district, subject to voter approval.
- Counties may impose a tax of 0.1 percent for emergency communications systems and facilities, subject to voter approval.
- Counties may impose a tax of up to 0.3 percent for public safety, subject to voter approval. Forty percent is distributed to cities on a per capita basis. Funds raised under this tax cannot be used to supplant existing funds used for the purposes for which it is approved. At least one-third must be used for criminal justice purposes. This tax does not apply to the sale of motor vehicles or the first 36 months of a motor vehicle lease.

The total state and local sales tax rate imposed is between 7 percent and 8.9 percent, depending on the location. For sales of motor vehicles, the rate is between 7.3 percent and 9.2 percent, depending on location.

In December 2005, the Attorney General's Office provided an informal opinion in response to an inquiry from the Yakima County prosecuting attorney concerning the non-supplanting provisions of the 0.3 percent public safety local sales and use tax, which the county imposed beginning April 2005. Specifically, the prosecutor's concern was whether a county imposing such a tax could reduce the budgets of departments and agencies eligible to receive the proceeds from the tax and then use the proceeds to restore the budgets to pre-existing levels. In the letter, the Assistant Attorney General disagreed with such an interpretation, finding that the funding from the tax could be used only to increase funding among eligible programs above the level at the point the voters approved the tax.

Summary of Substitute Bill: For the 0.3 percent county tax that may be imposed for public safety, criminal justice purposes is defined to include health care services for suspects in custody or incarcerated offenders, pensions pre-dating the establishment of the law enforcement officers' and fire fighters' retirement system plan 1, and law enforcement officers' and fire fighters' retirement system plan 1 medical and long-term care liabilities. Non-supplanting provisions are limited to general sales, property, city business and occupation, and city utility tax revenues used for criminal justice purposes the year before voter approval. The amount of county tax revenues for non-supplanting purposes is reduced when an annexation or incorporation occurs after voters approve the tax.

Substitute Bill Compared to Original Bill:

Under the original bill, the non-supplant language was removed and the requirement that at least one-third of the revenues be used for criminal justice purposes was eliminated.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: Local government continues to have trouble with finances. Three counties are having problems with the non-supplant language. As they lose revenues, they want to maintain existing services as others fall. The purposes are clearly stated on the ballot as to what the money can be used for. This gives counties flexibility and allows them to work with the voters.

Testimony Against: None.

Who Testified: PRO: Julie Sexton, WA State Assoc. of Counties; Jim Justin, AWC; Richard Lathim, Franklin County Sheriff.