

SENATE BILL REPORT

SHB 2437

As Reported By Senate Committee On:
Economic Development & Telecommunications, February 26, 2002

Title: An act relating to downtown and neighborhood commercial districts.

Brief Description: Promoting economic revitalization.

Sponsors: House Committee on Trade & Economic Development (originally sponsored by Representatives Veloria, Talcott, Conway, Darneille, Dunn, Lovick, Chase, Wood, Jackley and Ogden).

Brief History:

Committee Activity: Economic Development & Telecommunications: 2/26/02 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: Do pass.

Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Finkbeiner, Haugen and Rossi.

Staff: Kim Johnson (786-7486)

Background: A sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. A use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to the sales tax. The use tax is equal to the sales tax rate multiplied by the value of the property used. The total state and local sales or use tax rate is between 7 percent and 8.9 percent, depending on the jurisdiction.

Summary of Bill: The legislative authority of any city or town may authorize the use of the incremental increase of its local sales and use tax revenue to finance a community revitalization project that is located within the boundaries of a downtown or one or more neighborhood commercial districts. The incremental increase in a city or town's sales and use tax is based on the amount collected each year in excess of the amount collected in the preceding year.

Community revitalization projects are defined and include, among other things: health and safety improvements; expenditures for related studies and analysis; historic preservation activities; and, design, land acquisition, construction, rehabilitation, operation, and installation of a public facility.

The city or town may pool the local sales and use tax increment revenue collected in the various designated downtown or neighborhood commercial areas to: (1) finance the cost of

downtown or neighborhood commercial district community revitalization; (2) pay into bond redemption funds to pay for general obligation or revenue bonds issued to finance a downtown or neighborhood commercial district community revitalization project; (3) combine funds with any other public or private funds used to finance community revitalization project.

The Department of Revenue is authorized to provide advice or other assistance to cities and towns in determining local sales and use tax increment revenue.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: We have worked very hard to take the things that would cost the state money out of this version. All of the main street programs in this state would benefit from the ability to use the incremental increase in their excise taxes to finance community revitalization projects.

Testimony Against: None.

Testified: Randy Lewis, City of Tacoma (pro); Bryan Wahl, Washington Association of Realtors (pro).