Mitigation: Regional Centers Tax - RCW 82.14.390
Public Facilities Districts (PFDs)

August 12, 2008

Public Facilities Districts – State-shared Regional Centers Tax (RCW 82.14.390)

A public facilities district (PFD) is authorized under RCW 82.14.390 to impose a local sales tax not to exceed 0.033 percent that is credited against the state sales tax (state-shared). This tax rate does not increase the tax rate paid by the consumer. Instead, the tax shifts money from the state general fund to the public facilities district. The purpose of the tax is to provide funds to cover the costs associated with the construction and rehabilitation of regional centers.

Will net losses in the regional centers tax be mitigated?

PFDs will not receive mitigation ***payments*** for net losses in the regional centers tax. Instead, the 2007 Streamline Sales Tax bill, Substitute Senate Bill 5089, amended RCW 82.14.390 to allow ***tax rate increases*** for the regional centers tax imposed by PFDs.

How does a PFD qualify to increase its regional centers tax rate?

DOR must determine within three years that a PFD has experienced a sales and use tax collections net loss of at least ***0.50 percent*** due to destination-based sales tax.

When will PFDs be notified?

The Department will make determinations on a fiscal year basis. The Department shall provide written notice of these determinations to PFDs once a year after each fiscal year is analyzed (the end of October 2009, 2010, and 2011). These determinations are final and may not be appealed.

How will the 0.50 percent net loss be calculated?

For details on how the gain or loss is calculated for each fiscal year, see [Part I: Gain or Loss Calculation] and [Part II: Voluntary Compliance Revenue Offset] on the Department of Revenue's Mitigation web page at mitigation.dor.wa.gov.

This gain or loss calculation is used to estimate what the FY 2009 tax collections would have been if Washington had not made the change to destination-based sales tax. This estimate is referred to in the following diagram as the "Estimated Fiscal Year 2009 origin-based collections."

In the diagram below, a PFD can increase its tax rate if its *actual* FY 2009 tax collection under *destination-based* sourcing is less than or equal to 99.5 percent of its *estimated* FY 2009 tax collection under *origin-based* sourcing.

FY 2009 (1st year's determination):

Actual Fiscal Year **2009** Collections	≤	99.5% of Estimated Fiscal Year 2009 Origin-based Collections	=	PFD may increase tax rate

A similar method also applies when determining the 0.50 percent net loss in tax collections for FY 2010 and FY 2011.

If a PFD qualifies, how much of a tax rate increase can be made?

A qualifying PFD may increase its tax rate, but under no circumstances can the total rate exceed 0.037 percent. The tax rate adjustment must be:

- in 0.001 percent increments
- the least amount necessary to mitigate the PFD's net loss.

A PFD must also comply with RCW 82.14.055 when raising its tax rate. RCW 82.14.055 requires the PFD to give 30 days notice of the change in tax rate to the Department of Revenue and requires the PFD to institute the change in tax rate on the first day of a month. Since the Department will provide its first written notice to the PFDs at the end of October 2009, the earliest a PFD could increase their tax rate will be December 1, 2009.

Other PFD taxes

Other taxes imposed by PFDs are:

- Public facilties tax (voter-approved) authorized in RCW 82.14.048.
- Regional theaters tax (RCW 82.14.485).

For these taxes, PFDs will receive mitigation ***payments*** on a quarterly basis for net losses in collections. For details on how mitigation payments are determined, see [Part I: Gain or Loss Calculation] and [Part II: Voluntary Compliance Revenue Offset] on the Department of Revenue's Mitigation web page at mitigation.dor.wa.gov.