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HOUSE BILL 1710

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State of Washington                      61st Legislature                      2009 Regular Session

By Representatives Cody, Nelson, and Simpson

Read first time 01/27/09. Referred to Committee on Finance.

1            AN ACT Relating to the local sales and use tax that is credited  
2 against the state sales and use tax for cities to offset municipal  
3 service costs to newly annexed areas; and amending RCW 82.14.415.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 82.14.415 and 2006 c 361 s 1 are each amended to read  
6 as follows:

7            (1) The legislative authority of any city (~~with a population less~~  
8 ~~than four hundred thousand and which~~) that is located in a county with  
9 a population greater than six hundred thousand that annexes an area  
10 consistent with its comprehensive plan required by chapter 36.70A  
11 RCW(~~(7)~~) may impose a sales and use tax in accordance with the terms of  
12 this chapter. The tax is in addition to other taxes authorized by law  
13 and shall be collected from those persons who are taxable by the state  
14 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable  
15 event within the city. The tax may only be imposed by a city if:

16            (a) The city has commenced annexation of an area under chapter  
17 35.13 or 35A.14 RCW having a population of at least ten thousand people  
18 prior to January 1, (~~(2010)~~) 2015; and

1 (b) The city legislative authority determines by resolution or  
2 ordinance that the projected cost to provide municipal services to the  
3 annexation area exceeds the projected general revenue that the city  
4 would otherwise receive from the annexation area on an annual basis.

5 (2) The tax authorized under this section is a credit against the  
6 state tax under chapter 82.08 or 82.12 RCW. The department of revenue  
7 shall perform the collection of such taxes on behalf of the city at no  
8 cost to the city (~~and shall remit~~). The tax shall be remitted to the  
9 city as provided in RCW 82.14.060.

10 (3)(a) Except as provided in (b) of this subsection, the maximum  
11 rate of tax any city may impose under this section shall be (~~0.2~~  
12 percent for the total number of annexed areas the city may annex. The  
13 rate of the tax imposed under this section is)):

14 (i) 0.1 percent for each annexed area population that is greater  
15 than ten thousand and less than twenty thousand(~~. The rate of the tax~~  
16 imposed under this section shall be)); and

17 (ii) 0.2 percent for an annexed area (~~which the~~) population that  
18 is greater than twenty thousand.

19 (b) As of July 1, 2011, and thereafter, 0.85 percent for an annexed  
20 area population that is greater than eighteen thousand if:

21 (i) The annexed area is annexed by a city that has officially  
22 designated the area a potential annexation area; and

23 (ii) The annexed area is, or was prior to November 1, 2008,  
24 officially designated as a potential annexation area by a city with a  
25 population greater than four hundred thousand, in a county with a  
26 population over one million.

27 (4)(a) The maximum cumulative rate of tax a city may impose under  
28 subsection (3)(a)(i) and (ii) of this section is 0.2 percent for the  
29 total number of annexed areas the city may annex.

30 (b) The maximum cumulative rate of tax a city may impose under  
31 subsection (3)(b) of this section is 0.85 percent and for the single  
32 annexed area the city may annex and the amount of tax distributed to a  
33 city under subsection (3)(b) of this section shall not exceed five  
34 million dollars per fiscal year.

35 (5) The tax imposed by this section shall only be imposed at the  
36 beginning of a fiscal year and shall continue for no more than ten  
37 years from the date the tax is first imposed. Tax rate increases due  
38 to additional annexed areas shall be effective on July 1st of the

1 fiscal year following the fiscal year in which the annexation occurred,  
2 provided that notice is given to the department as set forth in  
3 subsection ~~((+8))~~ (9) of this section.

4 ~~((+5))~~ (6) All revenue collected under this section shall be used  
5 solely to provide, maintain, and operate municipal services for the  
6 annexation area.

7 ~~((+6))~~ (7) The revenues from the tax authorized in this section  
8 may not exceed that which the city deems necessary to generate revenue  
9 equal to the difference between the city's cost to provide, maintain,  
10 and operate municipal services for the annexation area and the general  
11 revenues that the cities would otherwise expect to receive from the  
12 annexation during a year. If the revenues from the tax authorized in  
13 this section and the revenues from the annexation area exceed the costs  
14 to the city to provide, maintain, and operate municipal services for  
15 the annexation area during a given year, the city shall notify the  
16 department and the tax distributions authorized in this section shall  
17 be suspended for the remainder of the year.

18 ~~((+7))~~ (8) No tax may be imposed under this section before July 1,  
19 2007. Before imposing a tax under this section, the legislative  
20 authority of a city shall adopt an ordinance that includes the  
21 following:

22 (a) A certification that the amount needed to provide municipal  
23 services to the annexed area reflects the city's true and actual costs;

24 (b) The rate of tax under this section that shall be imposed within  
25 the city; and

26 ~~((+b))~~ (c) The threshold amount for the first fiscal year  
27 following the annexation and passage of the ordinance.

28 ~~((+8))~~ (9) The tax shall cease to be distributed to the city for  
29 the remainder of the fiscal year once the threshold amount has been  
30 reached. No later than March 1st of each year, the city shall provide  
31 the department with a certification of the city's true and actual costs  
32 to provide municipal services to the annexed area, a new threshold  
33 amount for the next fiscal year, and notice of any applicable tax rate  
34 changes. Distributions of tax under this section shall begin again on  
35 July 1st of the next fiscal year and continue until the new threshold  
36 amount has been reached or June 30th, whichever is sooner. Any revenue  
37 generated by the tax in excess of the threshold amount shall belong to

1 the state of Washington. Any amount resulting from the threshold  
2 amount less the total fiscal year distributions, as of June 30th, shall  
3 not be carried forward to the next fiscal year.

4 ~~((+9))~~ (10) The tax shall cease to be distributed to a city  
5 imposing the tax under subsection (3)(b) of this section for the  
6 remainder of the fiscal year, if the total distributions to the city  
7 imposing the tax exceed five million dollars for the fiscal year.

8 (11) The following definitions apply throughout this section unless  
9 the context clearly requires otherwise:

10 (a) "Annexation area" means an area that has been annexed to a city  
11 under chapter 35.13 or 35A.14 RCW. "Annexation area" includes all  
12 territory described in the city resolution.

13 (b) "Department" means the department of revenue.

14 (c) "Municipal services" means those services customarily provided  
15 to the public by city government.

16 (d) "Fiscal year" means the year beginning July 1st and ending the  
17 following June 30th.

18 (e) "Threshold amount" means the maximum amount of tax  
19 distributions as determined by the city in accordance with subsection  
20 ~~((+6))~~ (7) of this section that the department shall distribute to the  
21 city generated from the tax imposed under this section in a fiscal  
22 year.

23 (f) "Potential annexation area" means one or more geographic areas  
24 that a city has officially designated for potential future annexation,  
25 as part of its comprehensive plan adoption process under the state  
26 growth management act, chapter 36.70A RCW.

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