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SENATE BILL 5330

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Poulsen, Pridemore, Kohl-Welles, Kline and Jacobsen

Read first time 01/17/2007.      Referred to Committee on Government Operations & Elections.

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~~) four hundred thousand that annexes an  
10 area 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; 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 to the city as provided in RCW  
9 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)) each annexed area ((which the))  
18 population that is greater than twenty thousand.

19 (b) The maximum rate of tax imposed under this section shall be  
20 0.05 percent for each annexed area in which the population is greater  
21 than ten thousand and the area is annexed by a city with a population  
22 greater than four hundred thousand.

23 (4) The tax imposed by this section shall only be imposed at the  
24 beginning of a fiscal year and shall continue for no more than ten  
25 years from the date the tax is first imposed. Tax rate increases due  
26 to additional annexed areas shall be effective on July 1st of the  
27 fiscal year following the fiscal year in which the annexation occurred,  
28 provided that notice is given to the department as set forth in  
29 subsection (8) of this section.

30 (5) All revenue collected under this section shall be used solely  
31 to provide, maintain, and operate municipal services for the annexation  
32 area.

33 (6) The revenues from the tax authorized in this section may not  
34 exceed that which the city deems necessary to generate revenue equal to  
35 the difference between the city's cost to provide, maintain, and  
36 operate municipal services for the annexation area and the general  
37 revenues that the cities would otherwise expect to receive from the  
38 annexation during a year. If the revenues from the tax authorized in

1 this section and the revenues from the annexation area exceed the costs  
2 to the city to provide, maintain, and operate municipal services for  
3 the annexation area during a given year, the city shall notify the  
4 department and the tax distributions authorized in this section shall  
5 be suspended for the remainder of the year.

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

9 (a) The rate of tax under this section that shall be imposed within  
10 the city; and

11 (b) The threshold amount for the first fiscal year following the  
12 annexation and passage of the ordinance.

13 (8) The tax shall cease to be distributed to the city for the  
14 remainder of the fiscal year once the threshold amount has been  
15 reached. No later than March 1st of each year, the city shall provide  
16 the department with a new threshold amount for the next fiscal year,  
17 and notice of any applicable tax rate changes. Distributions of tax  
18 under this section shall begin again on July 1st of the next fiscal  
19 year and continue until the new threshold amount has been reached or  
20 June 30th, whichever is sooner. Any revenue generated by the tax in  
21 excess of the threshold amount shall belong to the state of Washington.  
22 Any amount resulting from the threshold amount less the total fiscal  
23 year distributions, as of June 30th, shall not be carried forward to  
24 the next fiscal year.

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

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

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

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

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

35 (e) "Threshold amount" means the maximum amount of tax  
36 distributions as determined by the city in accordance with subsection

1 (6) of this section that the department shall distribute to the city  
2 generated from the tax imposed under this section in a fiscal year.

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