
HOUSE BILL 1139

State of Washington 60th Legislature 2007 Regular Session

By Representatives McDermott, McIntire, Springer, Cody, Ericks, Santos, Hasegawa, Simpson, Pettigrew and Kenney

Read first time 01/11/2007. 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; 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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