

2SSB 5433 - H COMM AMD
By Committee on Finance

NOT ADOPTED 04/17/2009

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 82.14.450 and 2007 c 380 s 1 are each amended to read
4 as follows:

5 (1) A county legislative authority may submit an authorizing
6 proposition to the county voters at a primary or general election and,
7 if the proposition is approved by a majority of persons voting, impose
8 a sales and use tax in accordance with the terms of this chapter. The
9 title of each ballot measure must clearly state the purposes for which
10 the proposed sales and use tax will be used. Funds raised under this
11 tax shall not supplant existing funds used for these purposes, except
12 as follows: Up to one hundred percent may be used to supplant existing
13 funding in calendar year 2010; up to eighty percent may be used to
14 supplant existing funding in calendar year 2011; up to sixty percent
15 may be used to supplant existing funding in calendar year 2012; up to
16 forty percent may be used to supplant existing funding in calendar year
17 2013; and up to twenty percent may be used to supplant existing funding
18 in calendar year 2014. For purposes of this subsection, existing funds
19 means the actual operating expenditures for the calendar year in which
20 the ballot measure is approved by voters. Actual operating
21 expenditures excludes lost federal funds, lost or expired state grants
22 or loans, extraordinary events not likely to reoccur, changes in
23 contract provisions beyond the control of the county or city receiving
24 the services, and major nonrecurring capital expenditures. The rate of
25 tax under this section (~~shall~~) may not exceed three-tenths of one
26 percent of the selling price in the case of a sales tax, or value of
27 the article used, in the case of a use tax.

28 (2) The tax authorized in this section is in addition to any other
29 taxes authorized by law and (~~shall~~) must be collected from those

1 persons who are taxable by the state under chapters 82.08 and 82.12 RCW
2 upon the occurrence of any taxable event within the county.

3 (3) The retail sale or use of motor vehicles, and the lease of
4 motor vehicles for up to the first thirty-six months of the lease, are
5 exempt from tax imposed under this section.

6 (4) One-third of all money received under this section (~~shall~~)
7 must be used solely for criminal justice purposes, fire protection
8 purposes, or both. For the purposes of this subsection, "criminal
9 justice purposes" (~~means additional police protection, mitigation of~~
10 ~~congested court systems, or relief of overcrowded jails or other local~~
11 ~~correctional facilities~~) has the same meaning as provided in RCW
12 82.14.340.

13 (5) Money received under this section (~~shall~~) must be shared
14 between the county and the cities as follows: Sixty percent (~~shall~~)
15 must be retained by the county and forty percent (~~shall~~) must be
16 distributed on a per capita basis to cities in the county.

17 **Sec. 2.** RCW 82.14.460 and 2008 c 157 s 2 are each amended to read
18 as follows:

19 (1) A county legislative authority may authorize, fix, and impose
20 a sales and use tax in accordance with the terms of this chapter.

21 (2) The tax authorized in this section shall be in addition to any
22 other taxes authorized by law and shall be collected from those persons
23 who are taxable by the state under chapters 82.08 and 82.12 RCW upon
24 the occurrence of any taxable event within the county. The rate of tax
25 shall equal one-tenth of one percent of the selling price in the case
26 of a sales tax, or value of the article used, in the case of a use tax.

27 (3) Moneys collected under this section shall be used solely for
28 the purpose of providing for the operation or delivery of (~~new or~~
29 ~~expanded~~) chemical dependency or mental health treatment programs and
30 services and for the operation or delivery of (~~new or expanded~~)
31 therapeutic court programs and services. For the purposes of this
32 section, "programs and services" includes, but is not limited to,
33 treatment services, case management, and housing that are a component
34 of a coordinated chemical dependency or mental health treatment program
35 or service.

36 (4) All moneys collected under this section must be used solely for
37 the purpose of providing new or expanded programs and services as

1 provided in this section, except a portion of moneys collected under
2 this section ((shall not)) may be used to supplant existing funding for
3 these purposes((, provided that)) in any county as follows: Up to
4 fifty percent may be used to supplant existing funding in calendar year
5 2010; up to forty percent may be used to supplant existing funding in
6 calendar year 2011; up to thirty percent may be used to supplant
7 existing funding in calendar year 2012; up to twenty percent may be
8 used to supplant existing funding in calendar year 2013; and up to ten
9 percent may be used to supplant existing funding in calendar year 2014.

10 (5) Nothing in this section ((shall)) may be interpreted to
11 prohibit the use of moneys collected under this section for the
12 replacement of lapsed federal funding previously provided for the
13 operation or delivery of services and programs as provided in this
14 section.

15 **Sec. 3.** RCW 84.55.050 and 2008 c 319 s 1 are each amended to read
16 as follows:

17 (1) Subject to any otherwise applicable statutory dollar rate
18 limitations, regular property taxes may be levied by or for a taxing
19 district in an amount exceeding the limitations provided for in this
20 chapter if such levy is authorized by a proposition approved by a
21 majority of the voters of the taxing district voting on the proposition
22 at a general election held within the district or at a special election
23 within the taxing district called by the district for the purpose of
24 submitting such proposition to the voters. Any election held pursuant
25 to this section shall be held not more than twelve months prior to the
26 date on which the proposed levy is to be made, except as provided in
27 subsection (2) of this section. The ballot of the proposition shall
28 state the dollar rate proposed and shall clearly state the conditions,
29 if any, which are applicable under subsection (4) of this section.

30 (2)(a) Subject to statutory dollar limitations, a proposition
31 placed before the voters under this section may authorize annual
32 increases in levies for multiple consecutive years, up to six
33 consecutive years, during which period each year's authorized maximum
34 legal levy shall be used as the base upon which an increased levy limit
35 for the succeeding year is computed, but the ballot proposition must
36 state the dollar rate proposed only for the first year of the
37 consecutive years and must state the limit factor, or a specified index

1 to be used for determining a limit factor, such as the consumer price
2 index, which need not be the same for all years, by which the regular
3 tax levy for the district may be increased in each of the subsequent
4 consecutive years. Elections for this purpose must be held at a
5 primary or general election. The title of each ballot measure must
6 state the limited purposes for which the proposed annual increases
7 during the specified period of up to six consecutive years shall be
8 used(~~(, and funds raised under the levy shall not supplant existing~~
9 ~~funds used for these purposes))~~).

10 (b)(i) Except as otherwise provided in this subsection (2)(b),
11 funds raised by a levy under this subsection shall not supplant
12 existing funds used for the limited purpose specified in the ballot
13 title. For purposes of this subsection, existing funds means the
14 actual operating expenditures for the calendar year in which the ballot
15 measure is approved by voters. Actual operating expenditures excludes
16 lost federal funds, lost or expired state grants or loans,
17 extraordinary events not likely to reoccur, changes in contract
18 provisions beyond the control of the taxing district receiving the
19 services, and major nonrecurring capital expenditures.

20 (ii) The supplanting limitations in (b)(i) of this subsection do
21 not apply to levies approved by the voters in calendar years 2009,
22 2010, and 2011, in any county with a population of one million five
23 hundred thousand or more. This subsection (2)(b)(ii) only applies to
24 levies approved by the voters after the effective date of this act.

25 (iii) The supplanting limitations in (b)(i) of this subsection do
26 not apply to levies approved by the voters in calendar year 2009 and
27 thereafter in any county with a population less than one million five
28 hundred thousand. This subsection (2)(b)(iii) only applies to levies
29 approved by the voters after the effective date of this act.

30 (3) After a levy authorized pursuant to this section is made, the
31 dollar amount of such levy may not be used for the purpose of computing
32 the limitations for subsequent levies provided for in this chapter,
33 unless the ballot proposition expressly states that the levy made under
34 this section will be used for this purpose.

35 (4) If expressly stated, a proposition placed before the voters
36 under subsection (1) or (2) of this section may:

37 (a) Use the dollar amount of a levy under subsection (1) of this

1 section, or the dollar amount of the final levy under subsection (2) of
2 this section, for the purpose of computing the limitations for
3 subsequent levies provided for in this chapter;

4 (b) Limit the period for which the increased levy is to be made
5 under (a) of this subsection;

6 (c) Limit the purpose for which the increased levy is to be made
7 under (a) of this subsection, but if the limited purpose includes
8 making redemption payments on bonds, the period for which the increased
9 levies are made shall not exceed nine years;

10 (d) Set the levy or levies at a rate less than the maximum rate
11 allowed for the district; or

12 (e) Include any combination of the conditions in this subsection.

13 (5) Except as otherwise expressly stated in an approved ballot
14 measure under this section, subsequent levies shall be computed as if:

15 (a) The proposition under this section had not been approved; and

16 (b) The taxing district had made levies at the maximum rates which
17 would otherwise have been allowed under this chapter during the years
18 levies were made under the proposition.

19 NEW SECTION. **Sec. 4.** (1) A county may adopt an ordinance creating
20 a rural public safety and infrastructure district in all of the
21 unincorporated area of the county. The ordinance creating the
22 district may only be adopted after a public hearing has been held on
23 the creation of the district and the county legislative body makes a
24 finding that it is in the public interest to create the district. The
25 members of the county legislative body, acting in an ex officio
26 capacity and independently, shall compose the governing body of a
27 district.

28 (2) A rural public safety and infrastructure district is a quasi-
29 municipal corporation and an independent taxing "authority" within the
30 meaning of Article VII, section 1 of the state Constitution.

31 (3) A rural public safety and infrastructure district shall have
32 the authority to contract under chapter 39.34 RCW with a county, city,
33 town, or other municipality for the provision of services and capital
34 projects within the district.

35 (4) This section expires January 1, 2015.

1 NEW SECTION. **Sec. 5.** (1) A rural public safety and infrastructure
2 district created under section 4 of this act may impose an excise tax
3 on the privilege of engaging in business as a utility. The tax is
4 equal to the gross income derived from providing service to consumers
5 within the district multiplied by the rate provided in subsection (2)
6 of this section. A district located in a county with a population of
7 one million five hundred thousand or less may not impose an excise tax
8 on the privilege of engaging in business as a gas utility.

9 (2) A district may not impose a rate of tax that exceeds six
10 percent, except a district located in a county with a population of one
11 million five hundred thousand or less may not impose a rate that
12 exceeds one percent on an electrical power utility.

13 (3) A rural public safety and infrastructure district must use
14 taxes collected under the authority of this section only for public
15 safety, infrastructure, capital projects, and other services provided
16 within the district.

17 (4) A utility subject to tax under this section must add the tax to
18 the rates or charges it makes for utility services and separately state
19 the amount of tax on billings.

20 (5) A rural public safety and infrastructure district may initially
21 impose the tax authorized under this section only on the first day of
22 a calendar quarter and no sooner than seventy-five days from the date
23 the district adopts the ordinance or resolution imposing the tax.

24 (6) A rural public safety and infrastructure district may provide
25 exemptions for sales by utilities to business customers, such as
26 manufacturing facilities, aircraft repair facilities, industrial parks,
27 industrial facilities, farm businesses, and computer data centers. A
28 district may not provide a general exemption for sales by utilities to
29 residential customers unless business customers are also exempt.

30 (7) A rural public safety and infrastructure district must allow a
31 credit against the cable service utility tax for any franchise fee paid
32 by the cable service utility to the county.

33 (8) A rural public safety and infrastructure district must allow a
34 credit against a tax imposed under the authority of this section for
35 the amount of any similar utility tax imposed by a city or town on the
36 same taxable event. The credit required by this subsection may not
37 exceed the amount of tax otherwise due.

1 (9) A rural public safety and infrastructure district located in a
2 county with a population of one million five hundred thousand or more
3 may not impose the tax authorized under this section after January 1,
4 2015.

5 (10) The definitions in this subsection apply to this section.

6 (a) "Cable service utility" means a person providing cable service
7 as defined in the federal telecommunications act of 1996.

8 (b) "Electrical power utility" has the same meaning as light and
9 power business as defined in RCW 82.16.010.

10 (c) "Gas utility" has the same meaning as gas distribution business
11 as defined in RCW 82.16.010.

12 (d) "Gross income" is defined as provided in RCW 82.16.010.

13 (e) "Sewer utility" means a sewerage collection business as defined
14 in RCW 82.16.020.

15 (f) "Solid waste utility" means a solid waste collection business
16 as defined in RCW 82.18.010.

17 (g) "Telephone utility" means a person providing telecommunications
18 service as defined in RCW 82.04.065.

19 (h) "Water utility" means a water distribution business as defined
20 in RCW 82.16.010.

21 (i) "Utility" means an electrical power utility, gas utility,
22 telephone utility, water utility, sewer utility, solid waste utility,
23 or cable service utility. "Utility" also means a water-sewer district
24 formed under Title 57 RCW.

25 **Sec. 6.** RCW 36.54.130 and 2007 c 223 s 6 are each amended to read
26 as follows:

27 (1) To carry out the purposes for which ferry districts are
28 created, the governing body of a ferry district may levy each year an
29 ad valorem tax on all taxable property located in the district not to
30 exceed seventy-five cents per thousand dollars of assessed value,
31 except a ferry district in a county with a population of one million
32 five hundred thousand or more may not levy at a rate that exceeds seven
33 and one-half cents per thousand dollars of assessed value. The levy
34 must be sufficient for the provision of ferry services as shown to be
35 required by the budget prepared by the governing body of the ferry
36 district.

37 (2) A tax imposed under this section may be used only for:

1 (a) Providing ferry services, including the purchase, lease, or
2 rental of ferry vessels and dock facilities;

3 (b) The operation, maintenance, and improvement of ferry vessels
4 and dock facilities;

5 (c) Providing shuttle services between the ferry terminal and
6 passenger parking facilities, and other landside improvements directly
7 related to the provision of passenger-only ferry service; and

8 (d) Related personnel costs.

9 NEW SECTION. **Sec. 7.** A new section is added to chapter 84.52 RCW
10 to read as follows:

11 (1) A county with a population of one million five hundred thousand
12 or more may impose an additional regular property tax levy in an amount
13 not to exceed seven and one-half cents per thousand dollars of the
14 assessed value of property in the county in accordance with the terms
15 of this section.

16 (2) Any tax imposed under this section shall be used as follows:

17 (a) Thirteen and one-third percent for expanding transit capacity
18 along state route number 520 by adding core and other supporting bus
19 routes;

20 (b) The remainder for transit-related expenditures.

21 (3) The limitations in RCW 84.52.043 do not apply to the tax
22 authorized in this section.

23 (4) The limitation in RCW 84.55.010 does not apply to the first tax
24 levy imposed under this section.

25 **Sec. 8.** RCW 84.52.043 and 2005 c 122 s 3 are each amended to read
26 as follows:

27 Within and subject to the limitations imposed by RCW 84.52.050 as
28 amended, the regular ad valorem tax levies upon real and personal
29 property by the taxing districts hereafter named shall be as follows:

30 (1) Levies of the senior taxing districts shall be as follows: (a)
31 The levy by the state shall not exceed three dollars and sixty cents
32 per thousand dollars of assessed value adjusted to the state equalized
33 value in accordance with the indicated ratio fixed by the state
34 department of revenue to be used exclusively for the support of the
35 common schools; (b) the levy by any county shall not exceed one dollar
36 and eighty cents per thousand dollars of assessed value; (c) the levy

1 by any road district shall not exceed two dollars and twenty-five cents
2 per thousand dollars of assessed value; and (d) the levy by any city or
3 town shall not exceed three dollars and thirty-seven and one-half cents
4 per thousand dollars of assessed value. However any county is hereby
5 authorized to increase its levy from one dollar and eighty cents to a
6 rate not to exceed two dollars and forty-seven and one-half cents per
7 thousand dollars of assessed value for general county purposes if the
8 total levies for both the county and any road district within the
9 county do not exceed four dollars and five cents per thousand dollars
10 of assessed value, and no other taxing district has its levy reduced as
11 a result of the increased county levy.

12 (2) The aggregate levies of junior taxing districts and senior
13 taxing districts, other than the state, shall not exceed five dollars
14 and ninety cents per thousand dollars of assessed valuation. The term
15 "junior taxing districts" includes all taxing districts other than the
16 state, counties, road districts, cities, towns, port districts, and
17 public utility districts. The limitations provided in this subsection
18 shall not apply to: (a) Levies at the rates provided by existing law
19 by or for any port or public utility district; (b) excess property tax
20 levies authorized in Article VII, section 2 of the state Constitution;
21 (c) levies for acquiring conservation futures as authorized under RCW
22 84.34.230; (d) levies for emergency medical care or emergency medical
23 services imposed under RCW 84.52.069; (e) levies to finance affordable
24 housing for very low-income housing imposed under RCW 84.52.105; (f)
25 the portions of levies by metropolitan park districts that are
26 protected under RCW 84.52.120; (g) levies imposed by ferry districts
27 under RCW 36.54.130; (h) levies for criminal justice purposes under RCW
28 84.52.135; ~~((and))~~ (i) the portions of levies by fire protection
29 districts that are protected under RCW 84.52.125; and (j) levies by
30 counties for transit-related purposes under section 7 of this act.

31 **Sec. 9.** RCW 84.52.010 and 2007 c 54 s 26 are each amended to read
32 as follows:

33 Except as is permitted under RCW 84.55.050, all taxes shall be
34 levied or voted in specific amounts.

35 The rate percent of all taxes for state and county purposes, and
36 purposes of taxing districts coextensive with the county, shall be
37 determined, calculated and fixed by the county assessors of the

1 respective counties, within the limitations provided by law, upon the
2 assessed valuation of the property of the county, as shown by the
3 completed tax rolls of the county, and the rate percent of all taxes
4 levied for purposes of taxing districts within any county shall be
5 determined, calculated and fixed by the county assessors of the
6 respective counties, within the limitations provided by law, upon the
7 assessed valuation of the property of the taxing districts
8 respectively.

9 When a county assessor finds that the aggregate rate of tax levy on
10 any property, that is subject to the limitations set forth in RCW
11 84.52.043 or 84.52.050, exceeds the limitations provided in either of
12 these sections, the assessor shall recompute and establish a
13 consolidated levy in the following manner:

14 (1) The full certified rates of tax levy for state, county, county
15 road district, and city or town purposes shall be extended on the tax
16 rolls in amounts not exceeding the limitations established by law;
17 however any state levy shall take precedence over all other levies and
18 shall not be reduced for any purpose other than that required by RCW
19 84.55.010. If, as a result of the levies imposed under RCW 36.54.130,
20 84.34.230, 84.52.069, 84.52.105, the portion of the levy by a
21 metropolitan park district that was protected under RCW 84.52.120,
22 84.52.125, ~~((and))~~ 84.52.135, and section 8 of this act, the combined
23 rate of regular property tax levies that are subject to the one percent
24 limitation exceeds one percent of the true and fair value of any
25 property, then these levies shall be reduced as follows:

26 (a) The levy imposed by a county under section 8 of this act shall
27 be reduced until the combined rate no longer exceeds one percent of the
28 true and fair value of any property or shall be eliminated;

29 (b) If the combined rate of regular property tax levies that are
30 subject to the one percent limitation still exceeds one percent of the
31 true and fair value of any property, the portion of the levy by a fire
32 protection district that is protected under RCW 84.52.125 shall be
33 reduced until the combined rate no longer exceeds one percent of the
34 true and fair value of any property or shall be eliminated;

35 ~~((b))~~ (c) If the combined rate of regular property tax levies
36 that are subject to the one percent limitation still exceeds one
37 percent of the true and fair value of any property, the levy imposed by

1 a county under RCW 84.52.135 must be reduced until the combined rate no
2 longer exceeds one percent of the true and fair value of any property
3 or must be eliminated;

4 ~~((c))~~ (d) If the combined rate of regular property tax levies
5 that are subject to the one percent limitation still exceeds one
6 percent of the true and fair value of any property, the levy imposed by
7 a ferry district under RCW 36.54.130 must be reduced until the combined
8 rate no longer exceeds one percent of the true and fair value of any
9 property or must be eliminated;

10 ~~((d))~~ (e) If the combined rate of regular property tax levies
11 that are subject to the one percent limitation still exceeds one
12 percent of the true and fair value of any property, the portion of the
13 levy by a metropolitan park district that is protected under RCW
14 84.52.120 shall be reduced until the combined rate no longer exceeds
15 one percent of the true and fair value of any property or shall be
16 eliminated;

17 ~~((e))~~ (f) If the combined rate of regular property tax levies
18 that are subject to the one percent limitation still exceeds one
19 percent of the true and fair value of any property, then the levies
20 imposed under RCW 84.34.230, 84.52.105, and any portion of the levy
21 imposed under RCW 84.52.069 that is in excess of thirty cents per
22 thousand dollars of assessed value, shall be reduced on a pro rata
23 basis until the combined rate no longer exceeds one percent of the true
24 and fair value of any property or shall be eliminated; and

25 ~~((f))~~ (g) If the combined rate of regular property tax levies
26 that are subject to the one percent limitation still exceeds one
27 percent of the true and fair value of any property, then the thirty
28 cents per thousand dollars of assessed value of tax levy imposed under
29 RCW 84.52.069 shall be reduced until the combined rate no longer
30 exceeds one percent of the true and fair value of any property or
31 eliminated.

32 (2) The certified rates of tax levy subject to these limitations by
33 all junior taxing districts imposing taxes on such property shall be
34 reduced or eliminated as follows to bring the consolidated levy of
35 taxes on such property within the provisions of these limitations:

36 (a) First, the certified property tax levy rates of those junior
37 taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100,
38 and 67.38.130 shall be reduced on a pro rata basis or eliminated;

1 (b) Second, if the consolidated tax levy rate still exceeds these
2 limitations, the certified property tax levy rates of flood control
3 zone districts shall be reduced on a pro rata basis or eliminated;

4 (c) Third, if the consolidated tax levy rate still exceeds these
5 limitations, the certified property tax levy rates of all other junior
6 taxing districts, other than fire protection districts, regional fire
7 protection service authorities, library districts, the first fifty cent
8 per thousand dollars of assessed valuation levies for metropolitan park
9 districts, and the first fifty cent per thousand dollars of assessed
10 valuation levies for public hospital districts, shall be reduced on a
11 pro rata basis or eliminated;

12 (d) Fourth, if the consolidated tax levy rate still exceeds these
13 limitations, the first fifty cent per thousand dollars of assessed
14 valuation levies for metropolitan park districts created on or after
15 January 1, 2002, shall be reduced on a pro rata basis or eliminated;

16 (e) Fifth, if the consolidated tax levy rate still exceeds these
17 limitations, the certified property tax levy rates authorized to fire
18 protection districts under RCW 52.16.140 and 52.16.160 and regional
19 fire protection service authorities under RCW 52.26.140(1) (b) and (c)
20 shall be reduced on a pro rata basis or eliminated; and

21 (f) Sixth, if the consolidated tax levy rate still exceeds these
22 limitations, the certified property tax levy rates authorized for fire
23 protection districts under RCW 52.16.130, regional fire protection
24 service authorities under RCW 52.26.140(1)(a), library districts,
25 metropolitan park districts created before January 1, 2002, under their
26 first fifty cent per thousand dollars of assessed valuation levy, and
27 public hospital districts under their first fifty cent per thousand
28 dollars of assessed valuation levy, shall be reduced on a pro rata
29 basis or eliminated.

30 **Sec. 10.** RCW 47.26.086 and 1994 c 179 s 11 are each amended to
31 read as follows:

32 (1) Transportation improvement account projects selected for
33 funding programs after fiscal year 1995 are governed by the
34 requirements of this section.

35 (2) The board shall allocate funds from the account by June 30th of
36 each year for the ensuing fiscal year to urban counties, cities with a
37 population of five thousand and over, and to transportation benefit

1 districts. Projects may include, but are not limited to, multi-agency
2 projects and arterial improvement projects in fast-growing areas. The
3 board shall endeavor to provide geographical diversity in selecting
4 improvement projects to be funded from the account.

5 (3) The intent of the program is to improve mobility of people and
6 goods in Washington state by supporting economic development and
7 environmentally responsive solutions to our statewide transportation
8 system needs.

9 (4) To be eligible to receive these funds, a project must be
10 consistent with the Growth Management Act, the Clean Air Act including
11 conformity, and the Commute Trip Reduction Law and consideration must
12 have been given to the project's relationship, both actual and
13 potential, with the statewide rail passenger program and rapid mass
14 transit. Projects must be consistent with any adopted high capacity
15 transportation plan, must consider existing or reasonably foreseeable
16 congestion levels attributable to economic development or growth and
17 all modes of transportation and safety, and must be partially funded by
18 local government or private contributions, or a combination of such
19 contributions. Priority consideration shall be given to those projects
20 with the greatest percentage of local or private contribution, or both.

21 (5) A city or town located within a county with a population of one
22 million five hundred thousand or more may not qualify for new grants
23 after December 31, 2014, until all potential annexation areas have been
24 annexed. This subsection (5) only applies to potential annexation
25 areas that are: (a) Recognized in the city or town's comprehensive
26 plan or related document as such plan or related document exists on the
27 effective date of this act; and (b) estimated to have a population in
28 excess of four thousand. The 2014 date in this subsection is 2020 for
29 any city or town located partially in a county with a population of one
30 million five hundred thousand or more and partially in another county.

31 (6) Within one year after board approval of an application for
32 funding, the lead agency shall provide written certification to the
33 board of the pledged local and private funding for the phase of the
34 project approved. Funds allocated to an applicant that does not
35 certify its funding within one year after approval may be reallocated
36 by the board.

1 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.155
2 RCW to read as follows:

3 A city or town located within a county with a population of one
4 million five hundred thousand or more may not qualify for new loans or
5 pledges after December 31, 2014, until all potential annexation areas
6 have been annexed. This section only applies to potential annexation
7 areas that are: (1) Recognized in the city's or town's comprehensive
8 plan or related document as such plan or related document exists on the
9 effective date of this act; and (2) estimated to have a population in
10 excess of four thousand.

11 NEW SECTION. **Sec. 12.** A new section is added to chapter 35.21 RCW
12 to read as follows:

13 (1) Subject to the requirements of this section, a city or town may
14 impose a tax upon the gross income of a water-sewer district formed
15 under Title 57 RCW.

16 (2) A city or town imposing the tax authorized under this section
17 may not impose a rate of tax that exceeds six percent. A city or town
18 may impose the tax only upon the gross income of a water-sewer district
19 derived from services provided within the city or town.

20 (3) A city or town imposing the tax authorized under this section
21 must allow a credit against the tax for any franchise fee paid by a
22 water-sewer district to the city or town.

23 NEW SECTION. **Sec. 13.** A new section is added to chapter 43.09 RCW
24 to read as follows:

25 (1) By January 1, 2011, the state auditor shall conduct a
26 performance audit of any county with a population of one million five
27 hundred thousand or more to specifically determine whether policy
28 changes and programs the county has adopted since January 1, 2009, will
29 effectively reduce overhead and other costs, improve services, and
30 streamline operations. The performance audit must identify current
31 deficiencies in recognized best practices in the provision of county
32 goods and services and how the provision of these goods and services
33 could be provided more efficiently and effectively. As part of the
34 performance audit, the auditor shall also evaluate the amount of local
35 and regional services provided by the county within and outside city
36 limits and contrast this with other large counties in Washington and

1 with counties of similar size in other states. The state auditor shall
2 use money distributed to the auditor under RCW 82.08.020(5) to pay for
3 the performance audit required under this section.

4 (2) This section expires January 1, 2012.

5 NEW SECTION. **Sec. 14.** The legislature reaffirms its intent that
6 the statutes authorizing the local taxation of brokered natural gas and
7 manufactured gas as provided by chapter 384, Laws of 1989 and RCW
8 82.12.010(5) result in the fair and equitable taxation of all natural
9 and manufactured gas users, from large industrial consumers to small
10 residential users, and it is the legislature's intent that the taxation
11 of such gas by local jurisdictions be at the place of consumption.

12 **Sec. 15.** RCW 82.12.010 and 2006 c 301 s 3 are each amended to read
13 as follows:

14 For the purposes of this chapter:

15 (1) "Purchase price" means the same as sales price as defined in
16 RCW 82.08.010(~~(-)~~);

17 (2)(a) "Value of the article used" shall be the purchase price for
18 the article of tangible personal property, the use of which is taxable
19 under this chapter. The term also includes, in addition to the
20 purchase price, the amount of any tariff or duty paid with respect to
21 the importation of the article used. In case the article used is
22 acquired by lease or by gift or is extracted, produced, or manufactured
23 by the person using the same or is sold under conditions wherein the
24 purchase price does not represent the true value thereof, the value of
25 the article used shall be determined as nearly as possible according to
26 the retail selling price at place of use of similar products of like
27 quality and character under such rules as the department may prescribe.

28 (b) In case the articles used are acquired by bailment, the value
29 of the use of the articles so used shall be in an amount representing
30 a reasonable rental for the use of the articles so bailed, determined
31 as nearly as possible according to the value of such use at the places
32 of use of similar products of like quality and character under such
33 rules as the department of revenue may prescribe. In case any such
34 articles of tangible personal property are used in respect to the
35 construction, repairing, decorating, or improving of, and which become
36 or are to become an ingredient or component of, new or existing

1 buildings or other structures under, upon, or above real property of or
2 for the United States, any instrumentality thereof, or a county or city
3 housing authority created pursuant to chapter 35.82 RCW, including the
4 installing or attaching of any such articles therein or thereto,
5 whether or not such personal property becomes a part of the realty by
6 virtue of installation, then the value of the use of such articles so
7 used shall be determined according to the retail selling price of such
8 articles, or in the absence of such a selling price, as nearly as
9 possible according to the retail selling price at place of use of
10 similar products of like quality and character or, in the absence of
11 either of these selling price measures, such value may be determined
12 upon a cost basis, in any event under such rules as the department of
13 revenue may prescribe.

14 (c) In the case of articles owned by a user engaged in business
15 outside the state which are brought into the state for no more than one
16 hundred eighty days in any period of three hundred sixty-five
17 consecutive days and which are temporarily used for business purposes
18 by the person in this state, the value of the article used shall be an
19 amount representing a reasonable rental for the use of the articles,
20 unless the person has paid tax under this chapter or chapter 82.08 RCW
21 upon the full value of the article used, as defined in (a) of this
22 subsection.

23 (d) In the case of articles manufactured or produced by the user
24 and used in the manufacture or production of products sold or to be
25 sold to the department of defense of the United States, the value of
26 the articles used shall be determined according to the value of the
27 ingredients of such articles.

28 (e) In the case of an article manufactured or produced for purposes
29 of serving as a prototype for the development of a new or improved
30 product, the value of the article used shall be determined by: (i) The
31 retail selling price of such new or improved product when first offered
32 for sale; or (ii) the value of materials incorporated into the
33 prototype in cases in which the new or improved product is not offered
34 for sale.

35 (f) In the case of an article purchased with a direct pay permit
36 under RCW 82.32.087, the value of the article used shall be determined
37 by the purchase price of such article if, but for the use of the direct
38 pay permit, the transaction would have been subject to sales tax;

1 (3) "Value of the service used" means the purchase price for the
2 service, the use of which is taxable under this chapter. If the
3 service is received by gift or under conditions wherein the purchase
4 price does not represent the true value thereof, the value of the
5 service used shall be determined as nearly as possible according to the
6 retail selling price at place of use of similar services of like
7 quality and character under rules the department may prescribe;

8 (4) "Value of the extended warranty used" means the purchase price
9 for the extended warranty, the use of which is taxable under this
10 chapter. If the extended warranty is received by gift or under
11 conditions wherein the purchase price does not represent the true value
12 of the extended warranty, the value of the extended warranty used shall
13 be determined as nearly as possible according to the retail selling
14 price at place of use of similar extended warranties of like quality
15 and character under rules the department may prescribe;

16 (5) "Use," "used," "using," or "put to use" shall have their
17 ordinary meaning, and shall mean:

18 (a) With respect to tangible personal property, except for natural
19 gas and manufactured gas, the first act within this state by which the
20 taxpayer takes or assumes dominion or control over the article of
21 tangible personal property (as a consumer), and include installation,
22 storage, withdrawal from storage, distribution, or any other act
23 preparatory to subsequent actual use or consumption within this state;

24 (b) With respect to a service defined in RCW 82.04.050(2)(a), the
25 first act within this state after the service has been performed by
26 which the taxpayer takes or assumes dominion or control over the
27 article of tangible personal property upon which the service was
28 performed (as a consumer), and includes installation, storage,
29 withdrawal from storage, distribution, or any other act preparatory to
30 subsequent actual use or consumption of the article within this state;
31 ((and))

32 (c) With respect to an extended warranty, the first act within this
33 state after the extended warranty has been acquired by which the
34 taxpayer takes or assumes dominion or control over the article of
35 tangible personal property to which the extended warranty applies, and
36 includes installation, storage, withdrawal from storage, distribution,
37 or any other act preparatory to subsequent actual use or consumption of
38 the article within this state; and

1 (d) With respect to natural gas or manufactured gas, the use of
2 which is taxable under RCW 82.12.022, including gas that is also
3 taxable under the authority of RCW 82.14.230, the first act within this
4 state by which the taxpayer consumes the gas by burning the gas or
5 storing the gas in the taxpayer's own facilities for later consumption
6 by the taxpayer;

7 (6) "Taxpayer" and "purchaser" include all persons included within
8 the meaning of the word "buyer" and the word "consumer" as defined in
9 chapters 82.04 and 82.08 RCW;

10 (7)(a)(i) Except as provided in (a)(ii) of this subsection (7),
11 "retailer" means every seller as defined in RCW 82.08.010 and every
12 person engaged in the business of selling tangible personal property at
13 retail and every person required to collect from purchasers the tax
14 imposed under this chapter.

15 (ii) "Retailer" does not include a professional employer
16 organization when a covered employee coemployed with the client under
17 the terms of a professional employer agreement engages in activities
18 that constitute a sale of tangible personal property, extended
19 warranty, or a sale of any service defined as a retail sale in RCW
20 82.04.050 (2)(a) or (3)(a) that is subject to the tax imposed by this
21 chapter. In such cases, the client, and not the professional employer
22 organization, is deemed to be the retailer and is responsible for
23 collecting and remitting the tax imposed by this chapter.

24 (b) For the purposes of (a) of this subsection, the terms "client,"
25 "covered employee," "professional employer agreement," and
26 "professional employer organization" have the same meanings as in RCW
27 82.04.540;

28 (8) "Extended warranty" has the same meaning as in RCW
29 82.04.050(7);

30 (9) The meaning ascribed to words and phrases in chapters 82.04 and
31 82.08 RCW, insofar as applicable, shall have full force and effect with
32 respect to taxes imposed under the provisions of this chapter.
33 "Consumer," in addition to the meaning ascribed to it in chapters 82.04
34 and 82.08 RCW insofar as applicable, shall also mean any person who
35 distributes or displays, or causes to be distributed or displayed, any
36 article of tangible personal property, except newspapers, the primary
37 purpose of which is to promote the sale of products or services. With

1 respect to property distributed to persons within this state by a
2 consumer as defined in this subsection (9), the use of the property
3 shall be deemed to be by such consumer.

4 **Sec. 16.** RCW 82.46.035 and 1992 c 221 s 3 and 1991 sp.s c 32 s 33
5 are each reenacted and amended to read as follows:

6 (1) The legislative authority of any county or city shall identify
7 in the adopted budget the capital projects and park maintenance and
8 operation expenditures, or both, funded in whole or in part from the
9 proceeds of the tax authorized in this section(~~(, and shall indicate~~
10 ~~that such tax is intended to be in addition to other funds that may be~~
11 ~~reasonably available for such capital projects)~~).

12 (2) The legislative authority of any county or any city that plans
13 under RCW 36.70A.040(1) may impose an additional excise tax on each
14 sale of real property in the unincorporated areas of the county for the
15 county tax and in the corporate limits of the city for the city tax at
16 a rate not exceeding one-quarter of one percent of the selling price.
17 Any county choosing to plan under RCW 36.70A.040(2) and any city within
18 such a county may only adopt an ordinance imposing the excise tax
19 authorized by this section if the ordinance is first authorized by a
20 proposition approved by a majority of the voters of the taxing district
21 voting on the proposition at a general election held within the
22 district or at a special election within the taxing district called by
23 the district for the purpose of submitting such proposition to the
24 voters.

25 (3)(a) Revenues generated from the tax imposed under subsection (2)
26 of this section shall be used by such counties and cities (~~(solely)~~)
27 for financing capital projects specified in a capital facilities plan
28 element of a comprehensive plan, and, until January 1, 2014, at the
29 option of the city or county, park maintenance and operation
30 expenditures. Only cities with a population less than fifty thousand
31 and counties with a population less than two hundred fifty thousand may
32 use revenues for park maintenance and operation expenditures. However,
33 revenues (~~((a))~~) (i) pledged by such counties and cities to debt
34 retirement prior to March 1, 1992, may continue to be used for that
35 purpose until the original debt for which the revenues were pledged is
36 retired, or (~~((b))~~) (ii) committed prior to March 1, 1992, by such

1 counties or cities to a project may continue to be used for that
2 purpose until the project is completed.

3 (b) Counties, cities, and towns using revenues generated by the tax
4 imposed under this section for park maintenance and operation
5 expenditures may not use these revenues for the acquisition of capital
6 projects specified in a capital facilities plan element of a
7 comprehensive plan. This subsection (3)(b) does not apply to capital
8 projects that are necessary for the health and safety of residents
9 within the county, city, or town imposing the tax.

10 (4) Revenues generated by the tax imposed by this section shall be
11 deposited in a separate account.

12 (5) As used in this section, "city" means any city or town and
13 "capital project" means, except as provided by subsection (3) of this
14 section, those public works projects of a local government for
15 planning, acquisition, construction, reconstruction, repair,
16 replacement, rehabilitation, or improvement of streets, roads,
17 highways, sidewalks, street and road lighting systems, traffic signals,
18 bridges, domestic water systems, storm and sanitary sewer systems(~~(~~
19 ~~and planning, construction, reconstruction, repair, rehabilitation, or~~
20 ~~improvement of parks)) parks, recreational facilities, law enforcement
21 facilities, fire protection facilities, trails, libraries,
22 administrative and/or judicial facilities, and river and water flood
23 control facilities. "Capital projects" after December 31, 2013,
24 include expenditures for the planning, construction, reconstruction,
25 repair, rehabilitation, or improvement of parks. "Capital projects"
26 after December 31, 2013, do not include expenditures for the planning,
27 acquisition, construction, reconstruction, repair, replacement,
28 rehabilitation, or improvement of recreational facilities, law
29 enforcement facilities, fire protection facilities, trails, libraries,
30 administrative facilities, judicial facilities, and river and water
31 flood control facilities.~~

32 (6) When the governor files a notice of noncompliance under RCW
33 36.70A.340 with the secretary of state and the appropriate county or
34 city, the county or city's authority to impose the additional excise
35 tax under this section shall be temporarily rescinded until the
36 governor files a subsequent notice rescinding the notice of
37 noncompliance.

1 NEW SECTION. **Sec. 17.** By December 1, 2013, the Washington state
2 association of counties and the association of Washington cities shall
3 provide a report to the legislature on the following:

4 (1) The number of cities and counties using tax revenue under RCW
5 82.46.035 for park maintenance and operation expenditures;

6 (2) The amount of tax revenue under RCW 82.46.035 dedicated by
7 cities and counties for park maintenance and operation expenditures;
8 and

9 (3) The tax collections and population growth for calendar years
10 2009, 2010, 2011, and 2012 for cities and counties using tax revenue
11 under RCW 82.46.035 for park maintenance and operation expenditures.

12 NEW SECTION. **Sec. 18.** Sections 4 and 5 of this act constitute a
13 new chapter in Title 36 RCW.

14 NEW SECTION. **Sec. 19.** Sections 1 and 2 of this act expire January
15 1, 2015."

16 Correct the title.

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