
ENGROSSED SUBSTITUTE SENATE BILL 5321

State of Washington

61st Legislature

2009 Regular Session

By Senate Ways & Means (originally sponsored by Senators Prentice, Kline, Pflug, Berkey, Shin, Hobbs, McAuliffe, Tom, Keiser, Jarrett, and Kauffman)

READ FIRST TIME 03/02/09.

1 AN ACT Relating to extending a local sales and use tax that is
2 credited against the state sales and use tax; and amending RCW
3 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 RCW,
11 may impose a sales and use tax in accordance with the terms of this
12 chapter. The tax is in addition to other taxes authorized by law and
13 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)), prior to January 1, 2010, having a population of~~

18 at least ten thousand people (~~((prior to January 1, 2010))~~ at the time

1 of annexation, or has commenced annexation of an area, having a
2 population of at least ten thousand people at the time of annexation,
3 between the period of January 1, 2011, through January 1, 2021; and

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

8 (2) The tax authorized under this section is a credit against the
9 state tax under chapter 82.08 or 82.12 RCW. The department of revenue
10 shall perform the collection of such taxes on behalf of the city at no
11 cost to the city and shall remit the tax to the city as provided in RCW
12 82.14.060.

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

17 (i) 0.1 percent for each annexed area in which the population
18 (~~that~~) is greater than ten thousand and less than twenty thousand(~~-~~
19 The rate of the tax imposed under this section shall be)); and

20 (ii) 0.2 percent for an annexed area in which the population is
21 greater than twenty thousand.

22 (b) The maximum rate of tax imposed under this section is 0.0034
23 percent for an annexed area in which the population is greater than ten
24 thousand and the area is annexed by a city with a population greater
25 than four hundred thousand.

26 (4)(a) Except as provided in (b) of this subsection, the maximum
27 cumulative rate of tax a city may impose under subsection (3)(a) of
28 this section is 0.2 percent for the total number of annexed areas the
29 city may annex.

30 (b) The maximum cumulative rate of tax a city may impose under
31 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
32 2011, if the city commenced annexation of an area, prior to January 1,
33 2010, that would have otherwise allowed the city to increase the rate
34 of tax imposed under this section absent the rate limit imposed in (a)
35 of this subsection.

36 (5) The tax imposed by this section shall only be imposed at the
37 beginning of a fiscal year and shall continue for no more than ten
38 years from the date that each increment of the tax is first imposed.

1 Tax rate increases due to additional annexed areas shall be effective
2 on July 1st of the fiscal year following the fiscal year in which the
3 annexation occurred, provided that notice is given to the department as
4 set forth in subsection ~~((+8))~~ (9) of this section.

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

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

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

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

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

27 ~~((+8))~~ (9) The tax shall cease to be distributed to the city for
28 the remainder of the fiscal year once the threshold amount has been
29 reached. No later than March 1st of each year, the city shall provide
30 the department with a new threshold amount for the next fiscal year,
31 and notice of any applicable tax rate changes. Distributions of tax
32 under this section shall begin again on July 1st of the next fiscal
33 year and continue until the new threshold amount has been reached or
34 June 30th, whichever is sooner. Any revenue generated by the tax in
35 excess of the threshold amount shall belong to the state of Washington.
36 Any amount resulting from the threshold amount less the total fiscal
37 year distributions, as of June 30th, shall not be carried forward to
38 the next fiscal year.

1 (~~(9)~~) (10) The following definitions apply throughout this
2 section unless the context clearly requires otherwise:

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

6 (b) "Commenced annexation" means the initiation of annexation
7 proceedings has taken place under the direct petition method or the
8 election method under chapter 35.13 or 35A.14 RCW.

9 (c) "Department" means the department of revenue.

10 (~~(e)~~) (d) "Municipal services" means those services customarily
11 provided to the public by city government.

12 (~~(d)~~) (e) "Fiscal year" means the year beginning July 1st and
13 ending the following June 30th.

14 (~~(e)~~) (f) "Threshold amount" means the maximum amount of tax
15 distributions as determined by the city in accordance with subsection
16 (~~(6)~~) (7) of this section that the department shall distribute to the
17 city generated from the tax imposed under this section in a fiscal
18 year.

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