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**SUBSTITUTE HOUSE BILL 1871**

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**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** House Committee on Transportation (originally sponsored by Representatives Sheahan and Schoesler)

Read first time 02/24/95.

1 AN ACT Relating to tax equalization for transit systems imposing a  
2 utility tax; amending RCW 82.14.046; and creating a new section.

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

4 **Sec. 1.** RCW 82.14.046 and 1994 c 241 s 2 are each amended to read  
5 as follows:

6 Beginning with distributions made to municipalities under RCW  
7 82.44.150 on January 1, 1996, municipalities as defined in RCW  
8 35.58.272 imposing local transit taxes, which for purposes of this  
9 section include the sales and use tax under RCW 82.14.045, the business  
10 and occupation tax under RCW 35.95.040, and excise taxes under RCW  
11 35.95.040, shall be eligible for sales and use tax equalization  
12 payments from motor vehicle excise taxes distributed under RCW  
13 82.44.150 as follows:

14 (1) Prior to January 1st of each year the department of revenue  
15 shall determine the total and the per capita levels of revenues for  
16 each municipality imposing (~~the sales and use tax authorized under RCW~~  
17 ~~82.14.045~~) local transit taxes and the state-wide weighted average per  
18 capita level of sales and use tax revenues imposed under chapters 82.08  
19 and 82.12 RCW for the previous calendar year calculated for a sales and

1 use tax rate of one-tenth percent. For purposes of this section, the  
2 department of revenue shall determine a local transit tax rate for each  
3 municipality for the previous calendar year. The tax rate shall be  
4 equivalent to the sales and use tax rate for the municipality that  
5 would have generated an amount of revenue equal to the amount of local  
6 transit taxes collected by the municipality.

7 (2) For each tenth of one percent of (~~sales and use tax imposed~~  
8 ~~under RCW 82.14.045~~) the local transit tax rate, the state treasurer  
9 shall apportion to each municipality receiving less than eighty percent  
10 of the state-wide weighted average per capita level of sales and use  
11 tax revenues imposed under chapters 82.08 and 82.12 RCW as determined  
12 by the department of revenue under subsection (1) of this section, an  
13 amount when added to the per capita level of revenues received the  
14 previous calendar year by the municipality, to equal eighty percent of  
15 the state-wide weighted average per capita level of revenues determined  
16 under subsection (1) of this section. In no event may the sales and  
17 use tax equalization distribution to a municipality in a single  
18 calendar year exceed: (a) Fifty percent of the amount of (~~sales and~~  
19 use tax) local transit taxes collected (~~under RCW 82.14.045~~) during  
20 the prior calendar year; or (b) the maximum amount of revenue that  
21 could have been collected at a local transit tax rate of three-tenths  
22 percent in the prior calendar year.

23 (3) For a municipality established after January 1, 1995, sales and  
24 use tax equalization distributions shall be made according to the  
25 procedures in this subsection. Sales and use tax equalization  
26 distributions to eligible new municipalities shall be made at the same  
27 time as distributions are made under subsection (2) of this section.  
28 The department of revenue shall follow the estimating procedures  
29 outlined in this subsection until the new municipality has received a  
30 full year's worth of local transit tax revenues (~~under RCW 82.14.045~~)  
31 as of the January sales and use tax equalization distribution.

32 (a) Whether a newly established municipality determined to receive  
33 funds under this subsection receives its first equalization payment at  
34 the January, April, July, or October sales and use tax equalization  
35 distribution shall depend on the date the system first imposes (~~the~~  
36 ~~tax authorized under RCW 82.14.045~~) local transit taxes.

37 (i) A newly established municipality imposing (~~the tax authorized~~  
38 ~~under RCW 82.14.045~~) local transit taxes taking effect during the  
39 first calendar quarter shall be eligible to receive funds under this

1 subsection beginning with the July sales and use tax equalization  
2 distribution of that year.

3 (ii) A newly established municipality imposing (~~the tax authorized~~  
4 ~~under RCW 82.14.045~~) local transit taxes taking effect during the  
5 second calendar quarter shall be eligible to receive funds under this  
6 subsection beginning with the October sales and use tax equalization  
7 distribution of that year.

8 (iii) A newly established municipality imposing (~~the tax~~  
9 ~~authorized under RCW 82.14.045~~) local transit taxes taking effect  
10 during the third calendar quarter shall be eligible to receive funds  
11 under this subsection beginning with the January sales and use tax  
12 equalization distribution of the next year.

13 (iv) A newly established municipality imposing (~~the tax authorized~~  
14 ~~under RCW 82.14.045~~) local transit taxes taking effect during the  
15 fourth calendar quarter shall be eligible to receive funds under this  
16 subsection beginning with the April sales and use tax equalization  
17 distribution of the next year.

18 (b) For purposes of calculating the amount of funds the new  
19 municipality should receive under this subsection, the department of  
20 revenue shall:

21 (i) Estimate the per capita amount of revenues from (~~the tax~~  
22 ~~authorized under RCW 82.14.045~~) local transit taxes that the new  
23 municipality would have received had the municipality received revenues  
24 from the tax the entire calendar year;

25 (ii) Calculate the amount provided under subsection (2) of this  
26 section based on the per capita revenues determined under (b)(i) of  
27 this subsection;

28 (iii) Prorate the amount determined under (b)(ii) of this  
29 subsection by the number of months the (~~tax authorized under RCW~~  
30 ~~82.14.045 is~~) local transit taxes have been imposed.

31 (c) The department of revenue shall advise the state treasurer of  
32 the amounts calculated under (b) of this subsection and the state  
33 treasurer shall distribute these amounts to the new municipality from  
34 the motor vehicle excise tax distributed under RCW 82.44.150(2)(d).

35 (~~(d) Revenues estimated under this subsection shall not affect the~~  
36 ~~calculation of the state-wide weighted average per capita level of~~  
37 ~~revenues for all municipalities made under subsection (1) of this~~  
38 ~~section.~~)

1       (4) (~~For an existing municipality imposing the sales and use tax~~  
2 ~~authorized under RCW 82.14.045 to take effect after January 1, 1995,~~  
3 ~~sales and use tax equalization payments shall be made according to the~~  
4 ~~procedures for newly established municipalities in subsection (3) of~~  
5 ~~the section.~~

6       (5)) A municipality that reduces its (~~sales and use tax rate~~  
7 ~~under RCW 82.14.045~~) local transit tax rate after January 1, 1994, may  
8 not receive distributions under this section.

9       NEW SECTION. **Sec. 2.** If specific funding for the purpose of this  
10 act, referring to this act by bill number, is not provided for in a  
11 transportation appropriations act in 1995 that either becomes law under  
12 Article III, section 12 of the state Constitution or is approved by the  
13 people of the state, this act is null and void.

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