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HOUSE BILL 2912

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State of Washington

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By Representatives Pflug, Ruderman, Anderson, Simpson, Nixon and  
Cairnes

Read first time 02/05/2002. Referred to Committee on Appropriations.

1 AN ACT Relating to municipal sales tax revenue equalization; and  
2 amending RCW 82.14.210.

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

4 **Sec. 1.** RCW 82.14.210 and 1996 c 64 s 1 are each amended to read  
5 as follows:

6 There is created in the state treasury a special account to be  
7 known as the "municipal sales and use tax equalization account."  
8 (~~Into this account shall be placed such revenues as are provided under~~  
9 ~~RCW 82.44.110(1)(e).~~) On July 1, 2002, the treasurer shall transfer  
10 fifteen million dollars from the state general fund to the account. On  
11 July 1st of each fiscal year thereafter, the treasurer shall transfer  
12 the amount transferred in the previous fiscal year, increased by the  
13 current fiscal growth factor as calculated by the office of financial  
14 management. Funds in this account shall be allocated by the state  
15 treasurer according to the following procedure:

16 (1) Prior to January 1st of each year the department of revenue  
17 shall determine the total and the per capita levels of revenues for  
18 each city and the statewide weighted average per capita level of

1 revenues for all cities imposing the sales and use tax authorized under  
2 RCW 82.14.030(1) for the previous calendar year.

3 ~~(2) ((At such times as distributions are made under RCW 82.44.150,~~  
4 ~~the state treasurer shall apportion to each city not imposing the sales~~  
5 ~~and use tax under RCW 82.14.030(2) an amount from the municipal sales~~  
6 ~~and use tax equalization account equal to the amount distributed to the~~  
7 ~~city under RCW 82.44.155, multiplied by forty five fifty-fifths.))~~ By  
8 May 31st of each year, the department of revenue shall calculate the  
9 amounts that would be apportioned and distributed to cities and towns  
10 ratably on the basis of population as last determined by the office of  
11 financial management. The basis for the calculation shall be the total  
12 amount transferred to the account created in subsection (1) of this  
13 section during the current fiscal year. On July 1st of each fiscal  
14 year after fiscal year 2002, the state treasurer shall distribute to  
15 each city not imposing the sales and use tax under RCW 82.14.030(2) the  
16 amount calculated for the city by the department of revenue in the  
17 preceding fiscal year.

18 (3) Subsequent to the distributions under subsection (2) of this  
19 section, ~~((and at such times as distributions are made under RCW~~  
20 ~~82.44.150))~~ on July 1st of each fiscal year, the state treasurer shall  
21 apportion to each city imposing the sales and use tax under RCW  
22 82.14.030(1) at the maximum rate and receiving less than ((seventy))  
23 fifty percent of the statewide weighted average per capita level of  
24 revenues for all cities as determined by the department of revenue  
25 under subsection (1) of this section, an amount from the municipal  
26 sales and use tax equalization account sufficient, when added to the  
27 per capita level of revenues received the previous calendar year by the  
28 city, to equal ((seventy)) fifty percent of the statewide weighted  
29 average per capita level of revenues for all cities determined under  
30 subsection (1) of this section, subject to reduction under subsection  
31 (6) of this section.

32 (4) Subsequent to the distributions under subsection (3) of this  
33 section, ~~((and at such times as distributions are made under RCW~~  
34 ~~82.44.150))~~ on July 1st of each fiscal year, the state treasurer shall  
35 apportion to each city imposing the sales and use tax under RCW  
36 82.14.030(2) at the maximum rate and receiving a distribution under  
37 subsection (3) of this section, a third distribution from the municipal  
38 sales and use tax equalization account. The distribution to each  
39 qualifying city shall be equal to the distribution to the city under

1 subsection (3) of this section, subject to the reduction under  
2 subsection (6) of this section. To qualify for the distributions under  
3 this subsection, the city must impose the tax under RCW 82.14.030(2)  
4 for the entire calendar year. Cities imposing the tax for less than  
5 the full year shall qualify for prorated allocations under this  
6 subsection proportionate to the number of months of the year during  
7 which the tax is imposed.

8 (5) For a city with an official incorporation date after January 1,  
9 1990, municipal sales and use tax equalization distributions shall be  
10 made according to the procedures in this subsection. Municipal sales  
11 and use tax equalization distributions to eligible new cities shall be  
12 made at the same time as distributions are made under subsections (3)  
13 and (4) of this section. The department of revenue shall follow the  
14 estimating procedures outlined in this subsection until the new city  
15 has received a full year's worth of revenues under RCW 82.14.030(1)  
16 (~~as of the January municipal sales and use tax equalization~~  
17 ~~distribution~~)).

18 (a) (~~Whether a newly incorporated city determined to receive funds~~  
19 ~~under this subsection receives its first equalization payment at the~~  
20 ~~January, April, July, or October municipal sales and use tax~~  
21 ~~equalization distribution shall depend on the date the city first~~  
22 ~~imposes the tax authorized under RCW 82.14.030(1).~~

23 (i) ~~A newly incorporated city imposing the tax authorized under RCW~~  
24 ~~82.14.030(1) effective as of January 1st shall be eligible to receive~~  
25 ~~funds under this subsection beginning with the April municipal sales~~  
26 ~~and use tax equalization distribution of that year.~~

27 (ii) ~~A newly incorporated city imposing the tax authorized under~~  
28 ~~RCW 82.14.030(1) effective as of February 1st, March 1st, or April 1st~~  
29 ~~shall be eligible to receive funds under this subsection beginning with~~  
30 ~~the July municipal sales and use tax equalization distribution of that~~  
31 ~~year.~~

32 (iii) ~~A newly incorporated city imposing the tax authorized under~~  
33 ~~RCW 82.14.030(1) effective as of May 1st, June 1st, or July 1st shall~~  
34 ~~be eligible to receive funds under this subsection beginning with the~~  
35 ~~October municipal sales and use tax equalization distribution of that~~  
36 ~~year.~~

37 (iv) ~~A newly incorporated city imposing the tax authorized under~~  
38 ~~RCW 82.14.030(1) effective as of August 1st, September 1st, or October~~  
39 ~~1st shall be eligible to receive funds under this subsection beginning~~

1 with the January municipal sales and use tax equalization distribution  
2 of the next year.

3 ~~(v) A newly incorporated city imposing the tax authorized under RCW~~  
4 ~~82.14.030(1) effective as of November 1st or December 1st shall be~~  
5 ~~eligible to receive funds under this subsection beginning with the~~  
6 ~~April municipal sales and use tax equalization distribution of the next~~  
7 ~~year.~~

8 ~~(b))~~ For purposes of calculating the amount of funds the new city  
9 should receive under this subsection, the department of revenue shall:

10 (i) Estimate the per capita amount of revenues from the tax  
11 authorized under RCW 82.14.030(1) that the new city would have received  
12 had the city received revenues from the tax the entire calendar year;

13 (ii) Calculate the amount provided under subsection (3) of this  
14 section based on the per capita revenues determined under ~~((b))~~  
15 (a)(i) of this subsection;

16 (iii) Prorate the amount determined under ~~((b))~~ (a)(ii) of this  
17 subsection by the number of months the tax authorized under RCW  
18 82.14.030(1) is imposed.

19 ~~((e))~~ (b) A new city imposing the tax under RCW 82.14.030(2) at  
20 the maximum rate and receiving a distribution calculated under ~~((b))~~  
21 (a) of this subsection shall receive another distribution from the  
22 municipal sales and use tax equalization account. This distribution  
23 shall be equal to the calculation made under ~~((b))~~ (a)(ii) of this  
24 subsection, prorated by the number of months the city imposes the tax  
25 authorized under RCW 82.14.030(2) at the full rate.

26 ~~((d))~~ (c) The department of revenue shall advise the state  
27 treasurer of the amounts calculated under (b) ~~((and (e)))~~ of this  
28 subsection and the state treasurer shall distribute these amounts to  
29 the new city from the municipal sales and use tax equalization account  
30 subject to the limitations imposed in subsection (6) of this section.

31 ~~((e))~~ (d) Revenues estimated under this subsection shall not  
32 affect the calculation of the statewide weighted average per capita  
33 level of revenues for all cities made under subsection (1) of this  
34 section.

35 (6) If inadequate revenues exist in the municipal sales and use tax  
36 equalization account to make the distributions under subsection (3),  
37 (4), or (5) of this section, then the distributions under subsections  
38 (3), (4), and (5) of this section shall be reduced ratably among the  
39 qualifying cities. At such time during the year as additional funds

1 accrue to the municipal sales and use tax equalization account,  
2 additional distributions shall be made under subsections (3), (4), and  
3 (5) of this section to the cities.

4 (7) If the level of revenues in the municipal sales and use tax  
5 equalization account exceeds the amount necessary to make the  
6 distributions under subsections (2) through (5) of this section, then  
7 the additional revenues shall be apportioned among the several cities  
8 within the state ratably on the basis of population as last determined  
9 by the office of financial management: PROVIDED, That no such  
10 distribution shall be made to those cities receiving a distribution  
11 under subsection (2) of this section.

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