

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 6686

Chapter 361, Laws of 2006

59th Legislature
2006 Regular Session

LOCAL SALES AND USE TAX

EFFECTIVE DATE: 6/7/06

Passed by the Senate February 22, 2006
YEAS 38 NAYS 10

BRAD OWEN

President of the Senate

Passed by the House March 6, 2006
YEAS 75 NAYS 23

FRANK CHOPP

Speaker of the House of Representatives

Approved March 30, 2006.

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 6686** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

March 30, 2006 - 3:42 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 6686

Passed Legislature - 2006 Regular Session

State of Washington 59th Legislature 2006 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Esser, Kastama, Johnson, Kline, Finkbeiner, Weinstein, Keiser, Berkey and McAuliffe)

READ FIRST TIME 02/17/06.

1 AN ACT Relating to authorizing a local sales and use tax that is
2 credited against the state sales and use tax; and adding a new section
3 to chapter 82.14 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.14 RCW
6 to read as follows:

7 (1) The legislative authority of any city with a population less
8 than four hundred thousand and which is located in a county with a
9 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 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) The maximum rate of tax any city may impose under this section
11 shall be 0.2 percent for the total number of annexed areas the city may
12 annex. The rate of the tax imposed under this section is 0.1 percent
13 for each annexed area population that is greater than ten thousand and
14 less than twenty thousand. The rate of the tax imposed under this
15 section shall be 0.2 percent for an annexed area which the population
16 is greater than twenty thousand.

17 (4) The tax imposed by this section shall only be imposed at the
18 beginning of a fiscal year and shall continue for no more than ten
19 years from the date the tax is first imposed. Tax rate increases due
20 to additional annexed areas shall be effective on July 1st of the
21 fiscal year following the fiscal year in which the annexation occurred,
22 provided that notice is given to the department as set forth in
23 subsection (8) of this section.

24 (5) All revenue collected under this section shall be used solely
25 to provide, maintain, and operate municipal services for the annexation
26 area.

27 (6) The revenues from the tax authorized in this section may not
28 exceed that which the city deems necessary to generate revenue equal to
29 the difference between the city's cost to provide, maintain, and
30 operate municipal services for the annexation area and the general
31 revenues that the cities would otherwise expect to receive from the
32 annexation during a year. If the revenues from the tax authorized in
33 this section and the revenues from the annexation area exceed the costs
34 to the city to provide, maintain, and operate municipal services for
35 the annexation area during a given year, the city shall notify the
36 department and the tax distributions authorized in this section shall
37 be suspended for the remainder of the year.

1 (7) No tax may be imposed under this section before July 1, 2007.
2 Before imposing a tax under this section, the legislative authority of
3 a city shall adopt an ordinance that includes the following:

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

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

8 (8) The tax shall cease to be distributed to the city for the
9 remainder of the fiscal year once the threshold amount has been
10 reached. No later than March 1st of each year, the city shall provide
11 the department with a new threshold amount for the next fiscal year,
12 and notice of any applicable tax rate changes. Distributions of tax
13 under this section shall begin again on July 1st of the next fiscal
14 year and continue until the new threshold amount has been reached or
15 June 30th, whichever is sooner. Any revenue generated by the tax in
16 excess of the threshold amount shall belong to the state of Washington.
17 Any amount resulting from the threshold amount less the total fiscal
18 year distributions, as of June 30th, shall not be carried forward to
19 the next fiscal year.

20 (9) The following definitions apply throughout this section unless
21 the context clearly requires otherwise:

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

25 (b) "Department" means the department of revenue.

26 (c) "Municipal services" means those services customarily provided
27 to the public by city government.

28 (d) "Fiscal year" means the year beginning July 1st and ending the
29 following June 30th.

30 (e) "Threshold amount" means the maximum amount of tax
31 distributions as determined by the city in accordance with subsection
32 (6) of this section that the department shall distribute to the city
33 generated from the tax imposed under this section in a fiscal year.

34 NEW SECTION. **Sec. 2.** If any provision of this act or its
35 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

Passed by the Senate February 22, 2006.

Passed by the House March 6, 2006.

Approved by the Governor March 30, 2006.

Filed in Office of Secretary of State March 30, 2006.