

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5321

Chapter 550, Laws of 2009

61st Legislature
2009 Regular Session

LOCAL SALES AND USE TAX

EFFECTIVE DATE: 07/26/09

Passed by the Senate April 25, 2009
YEAS 37 NAYS 11

BRAD OWEN

President of the Senate

Passed by the House April 23, 2009
YEAS 54 NAYS 41

FRANK CHOPP

Speaker of the House of Representatives

Approved May 19, 2009, 10:42 a.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5321** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

May 20, 2009

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5321

AS AMENDED BY THE HOUSE

Passed Legislature - 2009 Regular Session

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 and 9.46.295.

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~~) having a population of at least ten thousand
18 people, or four thousand in the case of a city described under

1 subsection (3)(a)(i) of this section, prior to January 1, ((2010))
2 2015; and

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

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

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

16 (i) 0.1 percent for each annexed area in which the population
17 ((that)) is greater than ten thousand and less than twenty thousand.
18 ((The rate of the tax imposed under this section shall be)) The ten
19 thousand population threshold in this subsection (3)(a)(i) is four
20 thousand for a city with a population between one hundred fifteen
21 thousand and one hundred forty thousand and located within a county
22 with a population over one million five hundred thousand; and

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

25 (b) Beginning July 1, 2011, the maximum rate of tax imposed under
26 this section is 0.85 percent for an annexed area in which the
27 population is greater than eighteen thousand if the annexed area was,
28 prior to November 1, 2008, officially designated as a potential
29 annexation area by more than one city, one of which has a population
30 greater than four hundred thousand.

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

35 (b) The maximum cumulative rate of tax a city may impose under
36 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
37 2011, if the city commenced annexation of an area, prior to January 1,

1 2010, that would have otherwise allowed the city to increase the rate
2 of tax imposed under this section absent the rate limit imposed in (a)
3 of this subsection.

4 (c) The maximum cumulative rate of tax a city may impose under
5 subsection (3)(b) of this section is 0.85 percent for the single
6 annexed area the city may annex and the amount of tax distributed to a
7 city under subsection (3)(b) of this section shall not exceed five
8 million dollars per fiscal year.

9 (5) The tax imposed by this section shall only be imposed at the
10 beginning of a fiscal year and shall continue for no more than ten
11 years from the date that each increment of the tax is first imposed.
12 Tax rate increases due to additional annexed areas shall be effective
13 on July 1st of the fiscal year following the fiscal year in which the
14 annexation occurred, provided that notice is given to the department as
15 set forth in subsection ((+8+)) (9) of this section.

16 ((+5+)) (6) All revenue collected under this section shall be used
17 solely to provide, maintain, and operate municipal services for the
18 annexation area.

19 ((+6+)) (7) The revenues from the tax authorized in this section
20 may not exceed that which the city deems necessary to generate revenue
21 equal to the difference between the city's cost to provide, maintain,
22 and operate municipal services for the annexation area and the general
23 revenues that the cities would otherwise expect to receive from the
24 annexation during a year. If the revenues from the tax authorized in
25 this section and the revenues from the annexation area exceed the costs
26 to the city to provide, maintain, and operate municipal services for
27 the annexation area during a given year, the city shall notify the
28 department and the tax distributions authorized in this section shall
29 be suspended for the remainder of the year.

30 ((+7+)) (8) No tax may be imposed under this section before July 1,
31 2007. Before imposing a tax under this section, the legislative
32 authority of a city shall adopt an ordinance that includes the
33 following:

34 (a) A certification that the amount needed to provide municipal
35 services to the annexed area reflects the city's true and actual costs;

36 (b) The rate of tax under this section that shall be imposed within
37 the city; and

1 ~~((b))~~ (c) The threshold amount for the first fiscal year
2 following the annexation and passage of the ordinance.

3 ~~((8))~~ (9) The tax shall cease to be distributed to the city for
4 the remainder of the fiscal year once the threshold amount has been
5 reached. No later than March 1st of each year, the city shall provide
6 the department with a certification of the city's true and actual costs
7 to provide municipal services to the annexed area, a new threshold
8 amount for the next fiscal year, and notice of any applicable tax rate
9 changes. Distributions of tax under this section shall begin again on
10 July 1st of the next fiscal year and continue until the new threshold
11 amount has been reached or June 30th, whichever is sooner. Any revenue
12 generated by the tax in excess of the threshold amount shall belong to
13 the state of Washington. Any amount resulting from the threshold
14 amount less the total fiscal year distributions, as of June 30th, shall
15 not be carried forward to the next fiscal year.

16 (10) The tax shall cease to be distributed to a city imposing the
17 tax under subsection (3)(b) of this section for the remainder of the
18 fiscal year, if the total distributions to the city imposing the tax
19 exceed five million dollars for the fiscal year.

20 ~~((9))~~ (11) The following definitions apply throughout this
21 section unless 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) "Commenced annexation" means the initiation of annexation
26 proceedings has taken place under the direct petition method or the
27 election method under chapter 35.13 or 35A.14 RCW.

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

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

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

33 (f) "Potential annexation area" means one or more geographic areas
34 that a city has officially designated for potential future annexation,
35 as part of its comprehensive plan adoption process under the state
36 growth management act, chapter 36.70A RCW.

37 ~~((e))~~ (g) "Threshold amount" means the maximum amount of tax
38 distributions as determined by the city in accordance with subsection

1 ((+6+)) (7) of this section that the department shall distribute to the
2 city generated from the tax imposed under this section in a fiscal
3 year.

4 **Sec. 2.** RCW 9.46.295 and 1974 ex.s. c 155 s 6 are each amended to
5 read as follows:

6 (1) Any license to engage in any of the gambling activities
7 authorized by this chapter as now exists or as hereafter amended, and
8 issued under the authority thereof shall be legal authority to engage
9 in the gambling activities for which issued throughout the incorporated
10 and unincorporated area of any county, except that a city located
11 therein with respect to that city, or a county with respect to all
12 areas within that county except for such cities, may absolutely
13 prohibit, but may not change the scope of license, any or all of the
14 gambling activities for which the license was issued.

15 (2) A city or town with a prohibition on house-banked social card
16 game licenses that annexes an area that is within a city, town, or
17 county that permits house-banked social card games may allow a house-
18 banked social card game business that was licensed by the commission as
19 of the effective date of this act to continue operating if the city or
20 town is authorized to impose a tax under RCW 82.14.415 and can
21 demonstrate that the continuation of the house-banked social card game
22 business will reduce the credit against the state sales and use tax as
23 provided in RCW 82.14.415(7). A city or town that allows a house-
24 banked social card game business in an annexed area to continue
25 operating is not required to allow additional house-banked social card
26 game businesses.

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