
SENATE BILL 5525

State of Washington

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By Senators Kilmer and Carrell

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1 AN ACT Relating to hospital benefit zones that have already formed;
2 and amending RCW 39.100.020, 82.14.465, and 82.14.470.

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

4 **Sec. 1.** RCW 39.100.020 and 2007 c 266 s 3 are each amended to read
5 as follows:

6 A local government may finance public improvements using hospital
7 benefit zone financing subject to the following conditions:

8 (1)(a) The local government adopts an ordinance designating a
9 benefit zone within its boundaries and specifying the public
10 improvements proposed to be financed in whole or in part with the use
11 of hospital benefit zone financing;

12 (b) A local government may modify the public improvements to be
13 financed in whole or in part with the use of hospital benefit zone
14 financing by amending the ordinance adopted under (a) of this
15 subsection and holding a public hearing consistent with RCW
16 39.100.030(1)(b); provided that the total cost of the public
17 improvements is not increased;

18 (2) The public improvements proposed to be financed in whole or in

1 part using hospital benefit zone financing are expected both to
2 encourage private development within the benefit zone and to support
3 the development of a hospital that has received a certificate of need;

4 (3) Private development that is anticipated to occur within the
5 benefit zone, as a result of the public improvements, will be
6 consistent with the countywide planning policy adopted by the county
7 under RCW 36.70A.210 and the local government's comprehensive plan and
8 development regulations adopted under chapter 36.70A RCW;

9 (4) The governing body of the local government finds that the
10 public improvements proposed to be financed in whole or in part using
11 hospital benefit zone financing are reasonably likely to:

12 (a) Increase private investment within the benefit zone;

13 (b) Increase employment within the benefit zone; and

14 (c) Generate, over the period of time that the local sales and use
15 tax will be imposed under RCW 82.14.465, excess state excise taxes that
16 are equal to or greater than the state contributions made under this
17 chapter;

18 (5) The boundaries of a hospital benefit zone may not overlap any
19 part of the boundaries of another hospital benefit zone or a revenue
20 development area defined in chapter 39.102 RCW; and

21 ~~(6) ((The boundaries of a hospital benefit zone may not change once
22 the hospital benefit zone is established and approved by the
23 department.))~~ With the approval of the department, a local government
24 may modify the hospital benefit zone boundaries by amending the
25 ordinance adopted under subsection (1)(a) of this section and holding
26 a public hearing consistent with RCW 39.100.030(1)(b).

27 **Sec. 2.** RCW 82.14.465 and 2009 c 535 s 1109 are each amended to
28 read as follows:

29 (1) A city, town, or county that creates a benefit zone and
30 finances public improvements pursuant to chapter 39.100 RCW may impose
31 a sales and use tax in accordance with the terms of this chapter and
32 subject to the criteria set forth in this section. Except as provided
33 in this section, the tax is in addition to other taxes authorized by
34 law and shall be collected from those persons who are taxable by the
35 state under chapters 82.08 and 82.12 RCW upon the occurrence of any
36 taxable event within the taxing jurisdiction of the city, town, or
37 county. The rate of tax shall not exceed the rate provided in RCW

1 82.08.020(1) in the case of a sales tax or a use tax, less the
2 aggregate rates of any other taxes imposed on the same events that are
3 credited against the state taxes imposed under chapters 82.08 and 82.12
4 RCW. The tax rate shall be no higher than what is reasonably necessary
5 for the local government to receive its entire annual state
6 contribution in a ten-month period of time.

7 (2) The tax imposed under subsection (1) of this section shall be
8 deducted from the amount of tax otherwise required to be collected or
9 paid over to the department under chapter 82.08 or 82.12 RCW. The
10 department shall perform the collection of such taxes on behalf of the
11 city, town, or county at no cost to the city, town, or county.

12 (3) No tax may be imposed under this section before July 1, 2007.
13 Before imposing a tax under this section, the city, town, or county
14 shall first have received tax allocation revenues during the preceding
15 calendar year. The tax imposed under this section shall expire on the
16 earlier of the date: (a) The tax allocation revenues are no longer
17 used for public improvements and public improvement costs; (b) the
18 bonds issued (~~((under the authority of chapter 39.100 RCW are retired))~~)
19 to finance or refinance the improvements are no longer outstanding, if
20 the bonds are issued; or (c) that is thirty years after the tax is
21 first imposed.

22 (4) An ordinance adopted by the legislative authority of a city,
23 town, or county imposing a tax under this section shall provide that:

24 (a) The tax shall first be imposed on the first day of a fiscal
25 year;

26 (b) The amount of tax received by the local government in any
27 fiscal year shall not exceed the amount of the state contribution;

28 (c) The tax shall cease to be distributed for the remainder of any
29 fiscal year in which either:

30 (i) The amount of tax distributions totals the amount of the state
31 contribution;

32 (ii) The amount of tax distributions totals the (~~(amount)~~) sum of
33 local public sources, dedicated (~~((in the previous calendar year))~~) to
34 finance public improvements authorized under chapter 39.100 RCW,
35 expended (~~((in the previous year))~~) since the zone has been formed for
36 public improvement costs, or used to pay for other bonds issued to pay
37 for public improvements; or

1 (iii) The amount of revenue from taxes imposed under this section
2 by all cities, towns, and counties totals the annual state credit limit
3 as provided in RCW 82.32.700(3);

4 (d) The tax shall be distributed again, should it cease to be
5 distributed for any of the reasons provided in (c) of this subsection,
6 at the beginning of the next fiscal year, subject to the restrictions
7 in this section; and

8 (e) Any revenue generated by the tax in excess of the amounts
9 specified in (b) and (c) of this subsection shall belong to the state
10 of Washington.

11 (5) If both a county and a city or town impose a tax under this
12 section, the tax imposed by the city, town, or county shall be credited
13 as follows:

14 (a) If the county has created a benefit zone before the city or
15 town, the tax imposed by the county shall be credited against the tax
16 imposed by the city or town, the purpose of such credit is to give
17 priority to the county tax; and

18 (b) If the city or town has created a benefit zone before the
19 county, the tax imposed by the city or town shall be credited against
20 the tax imposed by the county, the purpose of such credit is to give
21 priority to the city or town tax.

22 (6) The department shall determine the amount of tax distributions
23 attributable to each city, town, and county imposing a sales and use
24 tax under this section and shall advise a city, town, or county when
25 the tax will cease to be distributed for the remainder of the fiscal
26 year as provided in subsection (4)(c) of this section. Determinations
27 by the department of the amount of taxes attributable to a city, town,
28 or county are final and shall not be used to challenge the validity of
29 any tax imposed under this section. The department shall remit any tax
30 revenues in excess of the amounts specified in subsection (4)(b) and
31 (c) of this section to the state treasurer who shall deposit the moneys
32 in the general fund.

33 (7) The definitions in this subsection apply throughout this
34 section and RCW 82.14.470 unless the context clearly requires
35 otherwise.

36 (a) "Base year" means the calendar year immediately following the
37 creation of a benefit zone.

1 (b) "Benefit zone" has the same meaning as provided in RCW
2 39.100.010.

3 (c) "Excess local excise taxes" has the same meaning as provided in
4 RCW 39.100.050.

5 (d) "Excess state excise taxes" means the amount of excise taxes
6 received by the state during the measurement year from taxable activity
7 within the benefit zone over and above the amount of excise taxes
8 received by the state during the base year from taxable activity within
9 the benefit zone. However, if a local government creates the benefit
10 zone and reasonably determines that no activity subject to tax under
11 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately
12 preceding the creation of the benefit zone within the boundaries of the
13 area that became the benefit zone, "excess state excise taxes" means
14 the entire amount of state excise taxes the state receives during a
15 calendar year period beginning with the calendar year immediately
16 following the creation of the benefit zone and continuing with each
17 measurement year thereafter.

18 (e) "State excise taxes" means revenues derived from state retail
19 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount
20 of tax distributions from all local retail sales and use taxes imposed
21 on the same taxable events that are credited against the state retail
22 sales and use taxes under chapters 82.08 and 82.12 RCW except for the
23 local tax authorized in this section.

24 (f) "Fiscal year" has the same meaning as provided in RCW
25 39.100.030.

26 (g) "Measurement year" means a calendar year, beginning with the
27 calendar year following the base year and each calendar year
28 thereafter, that is used annually to measure the amount of excess state
29 excise taxes and excess local excise taxes.

30 (h) "State contribution" means the lesser of two million dollars or
31 an amount equal to excess state excise taxes received by the state
32 during the preceding calendar year.

33 (i) "Tax allocation revenues" has the same meaning as provided in
34 RCW 39.100.010.

35 (j) "Public improvements" and "public improvement costs" have the
36 same meanings as provided in RCW 39.100.010.

37 (k) "Local public sources" includes, but is not limited to, private
38 monetary contributions, assessments, dedicated local government funds,

1 ((and)) tax allocation revenues, and federal funds. "Local public
2 sources" does not include local government funds derived from the
3 state-subsidized portion of any state loan or state grant, any local
4 tax that is credited against the state sales and use taxes, or any
5 other state funds. Local public sources may be estimated by the local
6 government, with notice to the department, and may be applied to the
7 year or years designated by the local government.

8 **Sec. 3.** RCW 82.14.470 and 2007 c 266 s 8 are each amended to read
9 as follows:

10 (1)(a)(i) Moneys collected from the taxes imposed under RCW
11 82.14.465 shall be used only for the following purposes:

12 (A) Principal and interest payments on bonds issued to finance or
13 refinance public improvements in a benefit zone under the authority of
14 RCW 39.100.060;

15 (B) Principal and interest payments on other bonds issued by the
16 local government to finance public improvements; or

17 (C) Payments for public improvement costs.

18 (ii) Moneys collected and used as provided in (a)(i) of this
19 subsection must be matched with an amount from local public sources
20 dedicated (~~((through December 31st of the previous calendar year))~~) since
21 the date the benefit zone was formed to finance public improvements
22 authorized under chapter 39.100 RCW.

23 (b) Local public sources are dedicated to finance public
24 improvements if they: (i) Are actually expended to pay public
25 improvement costs or debt service on bonds issued for public
26 improvements; or (ii) are required by law or an agreement to be used
27 exclusively to pay public improvement costs or debt service on bonds
28 issued for public improvements.

29 (c) A city, town, or county is not required to expend taxes imposed
30 under RCW 82.14.465 in the fiscal year in which the taxes are received.

31 (2) A local government shall inform the department by the first day
32 of March of the amount of local public sources (~~((dedicated in))~~)
33 allocated to the preceding calendar year to finance public improvements
34 authorized under chapter 39.100 RCW.

35 (3) If a local government fails to comply with subsection (2) of
36 this section, no tax may be imposed under RCW 82.14.465 in the
37 subsequent fiscal year.

1 (4) A local government shall provide a report to the department and
2 the state auditor by March 1st of each year. A local government shall
3 make a good faith effort to provide information required for the
4 report.

5 The report shall contain the following information:

6 (a) The amount of tax allocation revenues, taxes under RCW
7 82.14.465, and local public sources received by the local government
8 during the preceding calendar year, and a summary of how these revenues
9 were expended; and

10 (b) The names of any businesses known to the local government that
11 have located within the benefit zone as a result of the public
12 improvements undertaken by the local government and financed in whole
13 or in part with hospital benefit zone financing.

14 (5) The department shall make a report available to the public and
15 the legislature by June 1st of each year. The report shall include a
16 list of public improvements undertaken by local governments and
17 financed in whole or in part with hospital benefit zone financing, and
18 it shall also include a summary of the information provided to the
19 department by local governments under subsection (4) of this section.

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