
HOUSE BILL 2726

State of Washington 57th Legislature 2002 Regular Session

By Representatives Carrell, Mielke, Roach, Talcott and Morell

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1 AN ACT Relating to sales tax revenue equalization; and amending RCW
2 82.14.200 and 82.14.210.

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

4 **Sec. 1.** RCW 82.14.200 and 1998 c 321 s 8 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 "county sales and use tax equalization account." (~~Into~~
8 ~~this account shall be placed a portion of all motor vehicle excise tax~~
9 ~~receipts as provided in RCW 82.44.110.~~) On July 1, 2002, the treasurer
10 shall transfer three million dollars from the state general fund to the
11 account. On July 1st of each fiscal year thereafter, the treasurer
12 shall transfer the amount transferred in the previous fiscal year,
13 increased by the current fiscal growth factor as calculated by the
14 office of financial management. Funds in this account shall be
15 allocated by the state treasurer according to the following procedure:

16 (1) Prior to April 1st of each year the director of revenue shall
17 inform the state treasurer of the total and the per capita levels of
18 revenues for the unincorporated area of each county and the statewide
19 weighted average per capita level of revenues for the unincorporated

1 areas of all counties 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 On July 1st of each fiscal year, the state treasurer shall apportion to
5 each county imposing the sales and use tax under RCW 82.14.030(1) at
6 the maximum rate and receiving less than one hundred fifty thousand
7 dollars from the tax for the previous calendar year, an amount from the
8 county sales and use tax equalization account sufficient, when added to
9 the amount of revenues received the previous calendar year by the
10 county, to equal one hundred fifty thousand dollars.

11 The department of revenue shall establish a governmental price
12 index as provided in this subsection. The base year for the index
13 shall be the end of the third quarter of 1982. Prior to November 1,
14 1983, and prior to each November 1st thereafter, the department of
15 revenue shall establish another index figure for the third quarter of
16 that year. The department of revenue may use the implicit price
17 deflators for state and local government purchases of goods and
18 services calculated by the United States department of commerce to
19 establish the governmental price index. Beginning on January 1, 1984,
20 and each January 1st thereafter, the one hundred fifty thousand dollar
21 base figure in this subsection shall be adjusted in direct proportion
22 to the percentage change in the governmental price index from 1982
23 until the year before the adjustment. Distributions made under this
24 subsection for 1984 and thereafter shall use this adjusted base amount
25 figure.

26 (3) Subsequent to the distributions under subsection (2) of this
27 section and (~~at such times as distributions are made under RCW~~
28 ~~82.44.150~~) on July 1st of each fiscal year, the state treasurer shall
29 apportion to each county imposing the sales and use tax under RCW
30 82.14.030(1) at the maximum rate and receiving less than (~~seventy~~)
31 fifty percent of the statewide weighted average per capita level of
32 revenues for the unincorporated areas of all counties as determined by
33 the department of revenue under subsection (1) of this section, an
34 amount from the county sales and use tax equalization account
35 sufficient, when added to the per capita level of revenues for the
36 unincorporated area received the previous calendar year by the county,
37 to equal (~~seventy~~) fifty percent of the statewide weighted average
38 per capita level of revenues for the unincorporated areas of all
39 counties determined under subsection (1) of this section, subject to

1 reduction under subsections (6) and (7) of this section. When
2 computing distributions under this section, any distribution under
3 subsection (2) of this section shall be considered revenues received
4 from the tax imposed under RCW 82.14.030(1) for the previous calendar
5 year.

6 (4) Subsequent to the distributions under subsection (3) of this
7 section and (~~at such times as distributions are made under RCW~~
8 ~~82.44.150~~) on July 1st of each fiscal year, the state treasurer shall
9 apportion to each county imposing the sales and use tax under RCW
10 82.14.030(2) at the maximum rate and receiving a distribution under
11 subsection (2) of this section, a third distribution from the county
12 sales and use tax equalization account. The distribution to each
13 qualifying county shall be equal to the distribution to the county
14 under subsection (2) of this section, subject to the reduction under
15 subsections (6) and (7) of this section. To qualify for the total
16 distribution under this subsection, the county must impose the tax
17 under RCW 82.14.030(2) for the entire calendar year. Counties imposing
18 the tax for less than the full year shall qualify for prorated
19 allocations under this subsection proportionate to the number of months
20 of the year during which the tax is imposed.

21 (5) Subsequent to the distributions under subsection (4) of this
22 section and (~~at such times as distributions are made under RCW~~
23 ~~82.44.150~~) on July 1st of each fiscal year, the state treasurer shall
24 apportion to each county imposing the sales and use tax under RCW
25 82.14.030(2) at the maximum rate and receiving a distribution under
26 subsection (3) of this section, a fourth distribution from the county
27 sales and use tax equalization account. The distribution to each
28 qualifying county shall be equal to the distribution to the county
29 under subsection (3) of this section, subject to the reduction under
30 subsections (6) and (7) of this section. To qualify for the
31 distributions under this subsection, the county must impose the tax
32 under RCW 82.14.030(2) for the entire calendar year. Counties imposing
33 the tax for less than the full year shall qualify for prorated
34 allocations under this subsection proportionate to the number of months
35 of the year during which the tax is imposed.

36 (6) Revenues distributed under subsections (2) through (5) of this
37 section in any calendar year shall not exceed an amount equal to
38 seventy percent of the statewide weighted average per capita level of
39 revenues for the unincorporated areas of all counties during the

1 previous calendar year. If distributions under subsections (3) through
2 (5) of this section cannot be made because of this limitation, then
3 distributions under subsections (3) through (5) of this section shall
4 be reduced ratably among the qualifying counties.

5 (7) If inadequate revenues exist in the county sales and use tax
6 equalization account to make the distributions under subsections (3)
7 through (5) of this section, then the distributions under subsections
8 (3) through (5) of this section shall be reduced ratably among the
9 qualifying counties. At such time during the year as additional funds
10 accrue to the county sales and use tax equalization account, additional
11 distributions shall be made under subsections (3) through (5) of this
12 section to the counties.

13 (8) If the level of revenues in the county sales and use tax
14 equalization account exceeds the amount necessary to make the
15 distributions under subsections (2) through (5) of this section, (~~at~~
16 ~~such times as distributions are made under RCW 82.44.150~~) on July 1st
17 of each fiscal year, the state treasurer shall apportion an amount to
18 the county public health account created in RCW 70.05.125 equal to the
19 adjustment under RCW 70.05.125(2)(b).

20 (9) If the level of revenues in the county sales and use tax
21 equalization account exceeds the amount necessary to make the
22 distributions under subsections (2) through (5) and (8) of this
23 section, then the additional revenues shall be credited and transferred
24 as follows:

25 (a) Fifty percent to the public facilities construction loan
26 revolving account under RCW 43.160.080; and

27 (b) Fifty percent to the distressed county public facilities
28 construction loan account under RCW 43.160.220, or so much thereof as
29 will not cause the balance in the account to exceed twenty-five million
30 dollars. Any remaining funds shall be deposited into the public
31 facilities construction loan revolving account.

32 **Sec. 2.** RCW 82.14.210 and 1996 c 64 s 1 are each amended to read
33 as follows:

34 There is created in the state treasury a special account to be
35 known as the "municipal sales and use tax equalization account."
36 (~~Into this account shall be placed such revenues as are provided under~~
37 ~~RCW 82.44.110(1)(e).~~) On July 1, 2002, the treasurer shall transfer
38 fifteen million dollars from the state general fund to the account. On

1 July 1st of each fiscal year thereafter, the treasurer shall transfer
2 the amount transferred in the previous fiscal year, increased by the
3 current fiscal growth factor as calculated by the office of financial
4 management. Funds in this account shall be allocated by the state
5 treasurer according to the following procedure:

6 (1) Prior to January 1st of each year the department of revenue
7 shall determine the total and the per capita levels of revenues for
8 each city and the statewide weighted average per capita level of
9 revenues for all cities imposing the sales and use tax authorized under
10 RCW 82.14.030(1) for the previous calendar year.

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

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

1 (4) Subsequent to the distributions under subsection (3) of this
2 section, ~~((and at such times as distributions are made under RCW
3 82.44.150))~~ on July 1st of each fiscal year, the state treasurer shall
4 apportion to each city imposing the sales and use tax under RCW
5 82.14.030(2) at the maximum rate and receiving a distribution under
6 subsection (3) of this section, a third distribution from the municipal
7 sales and use tax equalization account. The distribution to each
8 qualifying city shall be equal to the distribution to the city under
9 subsection (3) of this section, subject to the reduction under
10 subsection (6) of this section. To qualify for the distributions under
11 this subsection, the city must impose the tax under RCW 82.14.030(2)
12 for the entire calendar year. Cities imposing the tax for less than
13 the full year shall qualify for prorated allocations under this
14 subsection proportionate to the number of months of the year during
15 which the tax is imposed.

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

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

31 ~~(i) A newly incorporated city imposing the tax authorized under RCW
32 82.14.030(1) effective as of January 1st shall be eligible to receive
33 funds under this subsection beginning with the April municipal sales
34 and use tax equalization distribution of that year.~~

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

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

6 ~~(iv) A newly incorporated city imposing the tax authorized under~~
7 ~~RCW 82.14.030(1) effective as of August 1st, September 1st, or October~~
8 ~~1st shall be eligible to receive funds under this subsection beginning~~
9 ~~with the January municipal sales and use tax equalization distribution~~
10 ~~of the next year.~~

11 ~~(v) A newly incorporated city imposing the tax authorized under RCW~~
12 ~~82.14.030(1) effective as of November 1st or December 1st shall be~~
13 ~~eligible to receive funds under this subsection beginning with the~~
14 ~~April municipal sales and use tax equalization distribution of the next~~
15 ~~year.~~

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

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

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

24 (iii) Prorate the amount determined under ~~((b))~~ (a)(ii) of this
25 subsection by the number of months the tax authorized under RCW
26 82.14.030(1) is imposed.

27 ~~((e))~~ (b) A new city imposing the tax under RCW 82.14.030(2) at
28 the maximum rate and receiving a distribution calculated under ~~((b))~~
29 (a) of this subsection shall receive another distribution from the
30 municipal sales and use tax equalization account. This distribution
31 shall be equal to the calculation made under ~~((b))~~ (a)(ii) of this
32 subsection, prorated by the number of months the city imposes the tax
33 authorized under RCW 82.14.030(2) at the full rate.

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

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

5 (6) If inadequate revenues exist in the municipal sales and use tax
6 equalization account to make the distributions under subsection (3),
7 (4), or (5) of this section, then the distributions under subsections
8 (3), (4), and (5) of this section shall be reduced ratably among the
9 qualifying cities. At such time during the year as additional funds
10 accrue to the municipal sales and use tax equalization account,
11 additional distributions shall be made under subsections (3), (4), and
12 (5) of this section to the cities.

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

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