
SENATE BILL 6487

State of Washington

63rd Legislature

2014 Regular Session

By Senator Hill

Read first time 01/29/14. Referred to Committee on Ways & Means.

1 AN ACT Relating to the local sales and use tax that is credited
2 against the state sales and use tax for cities to offset municipal
3 service costs to newly annexed areas; and amending RCW 82.14.415.

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

5 **Sec. 1.** RCW 82.14.415 and 2011 c 353 s 10 are each amended to read
6 as follows:

7 (1) The legislative authority of any city that is located in a
8 county with a population greater than six hundred thousand that annexes
9 an area consistent with its comprehensive plan required by chapter
10 36.70A RCW may impose a sales and use tax in accordance with the terms
11 of this chapter. The tax is in addition to other taxes authorized by
12 law and is collected from those persons who are taxable by the state
13 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable
14 event within the city. The tax may only be imposed by a city if:

15 (a) The city has commenced annexation of an area having a
16 population of at least ten thousand people, or four thousand in the
17 case of a city described under subsection (3)(a)(i) of this section,
18 prior to January 1, 2015; 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 must perform the collection of such taxes on behalf of the city at no
8 cost to the city and must remit the tax to the city as provided in RCW
9 82.14.060.

10 (3)(a) Except as provided in (b) of this subsection, the maximum
11 rate of tax any city may impose under this section is:

12 (i) 0.1 percent for each annexed area in which the population is
13 greater than ten thousand and less than twenty thousand. The ten
14 thousand population threshold in this subsection (3)(a)(i) is four
15 thousand for a city with a population between one hundred fifteen
16 thousand and one hundred forty thousand and located within a county
17 with a population over one million five hundred thousand; and

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

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

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

30 (b) The maximum cumulative rate of tax a city may impose under
31 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
32 2011, if the city commenced annexation of an area, prior to January 1,
33 2010, that would have otherwise allowed the city to increase the rate
34 of tax imposed under this section absent the rate limit imposed in (a)
35 of this subsection.

36 (c) The maximum cumulative rate of tax a city may impose under
37 subsection (3)(b) of this section is 0.85 percent for the single

1 annexed area the city may annex and the amount of tax distributed to a
2 city under subsection (3)(b) of this section may not exceed five
3 million dollars per fiscal year.

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

11 (6) All revenue collected under this section may be used solely to
12 provide, maintain, and operate municipal services for the annexation
13 area.

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

25 (8) No tax may be imposed under this section if an adjacent city,
26 which did not exist at the time of initial determination of the
27 potential annexation area, would be able to annex the area without
28 claiming the tax imposed by this section. The legislative authority of
29 an adjacent city must adopt an ordinance that states that the city
30 would be able to annex the area without claiming the tax imposed by
31 this section as evidence of their ability to do so.

32 (9) No tax may be imposed under this section before July 1, 2007.
33 Before imposing a tax under this section, the legislative authority of
34 a city must adopt an ordinance that includes the following:

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

37 (b) The rate of tax under this section that is imposed within the
38 city; and

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

3 ~~((+9))~~ (10) The tax must 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 must 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 must 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 belongs to the
13 state of Washington. Any amount resulting from the threshold amount
14 less the total fiscal year distributions, as of June 30th, may not be
15 carried forward to the next fiscal year.

16 ~~((+10))~~ (11) The tax must cease to be distributed to a city
17 imposing the tax under subsection (3)(b) of this section for the
18 remainder of the fiscal year, if the total distributions to the city
19 imposing the tax exceed five million dollars for the fiscal year.

20 ~~((+11))~~ (12) The resident population of the annexation area must
21 be determined in accordance with chapter 35.13 or 35A.14 RCW.

22 ~~((+12))~~ (13) The following definitions apply throughout this
23 section unless the context clearly requires otherwise:

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

27 (b) "Commenced annexation" means the initiation of annexation
28 proceedings has taken place under the direct petition method or the
29 election method under chapter 35.13 or 35A.14 RCW.

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

31 (d) "Municipal services" means those services customarily provided
32 to the public by city government.

33 (e) "Fiscal year" means the year beginning July 1st and ending the
34 following June 30th.

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

1 (g) "Threshold amount" means the maximum amount of tax
2 distributions as determined by the city in accordance with subsection
3 (7) of this section that the department must distribute to the city
4 generated from the tax imposed under this section in a fiscal year.

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