
SENATE BILL 5622

State of Washington

56th Legislature

1999 Regular Session

By Senator Gardner

Read first time 01/29/1999. Referred to Committee on State & Local Government.

1 AN ACT Relating to sales and use tax equalization payments for
2 proposed incorporations; amending RCW 35.02.015, 35.02.017, and
3 82.14.210; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** It is not in the interest of the citizens of
6 the state of Washington or the residents of a proposed incorporation
7 area if cities that are not self-supporting are created. The citizens
8 of the state must subsidize the operation of the proposed city through
9 sales tax equalization assistance. Furthermore, residents of the area
10 where such an incorporation is proposed may not receive the range of
11 services or the levels of service normally associated with cities.

12 **Sec. 2.** RCW 35.02.015 and 1994 c 216 s 1 are each amended to read
13 as follows:

14 Any person proposing the incorporation of a city or town shall file
15 a notice of the proposed incorporation with the county legislative
16 authority of the county in which all or the major portion of the
17 proposed city or town is located. The notice shall include the matters
18 required to be included in the incorporation petition under RCW

1 35.02.030 and be accompanied by both a one hundred dollar filing fee
2 and an affidavit from the person stating that he or she is a registered
3 voter residing in the proposed city or town. The county legislative
4 authority shall immediately forward a copy of the proposed
5 incorporation notice to the state department of revenue for the
6 determination required in RCW 82.14.210.

7 The county legislative authority shall also promptly notify the
8 boundary review board of the proposed incorporation, which shall hold
9 a public meeting on the proposed incorporation within (~~thirty~~) sixty
10 days of the notice being filed where persons favoring and opposing the
11 proposed incorporation may state their views. If a boundary review
12 board does not exist in the county, the county legislative authority
13 shall provide the public meeting. The public meeting shall be held at
14 a location in or near the proposed city or town. Notice of the public
15 meeting shall be published in a newspaper of general circulation in the
16 area proposed to be incorporated at least once ten days prior to the
17 public meeting.

18 **Sec. 3.** RCW 35.02.017 and 1994 c 216 s 2 are each amended to read
19 as follows:

20 Within one working day after the public meeting under RCW
21 35.02.015, the county auditor shall provide an identification number
22 for the incorporation effort to the person who made the notice of
23 proposing the incorporation only if the department of revenue has
24 determined that the proposed city will not qualify for sales and use
25 tax equalization payments in RCW 82.14.210(8). The identification
26 number shall be included on the petition proposing the incorporation.
27 A petition may not proceed without this number.

28 The petition proposing the incorporation may retain the proposed
29 boundaries and other matters as described in the notice, or may alter
30 the proposed boundaries and other matters.

31 **Sec. 4.** RCW 82.14.210 and 1996 c 64 s 1 are each amended to read
32 as follows:

33 There is created in the state treasury a special account to be
34 known as the "municipal sales and use tax equalization account." Into
35 this account shall be placed such revenues as are provided under RCW
36 82.44.110(1)(e). Funds in this account shall be allocated by the state
37 treasurer according to the following procedure:

1 (1) Prior to January 1st of each year the department of revenue
2 shall determine the total and the per capita levels of revenues for
3 each city and the state-wide weighted average per capita level of
4 revenues for all cities imposing the sales and use tax authorized under
5 RCW 82.14.030(1) for the previous calendar year.

6 (2) At such times as distributions are made under RCW 82.44.150,
7 the state treasurer shall apportion to each city not imposing the sales
8 and use tax under RCW 82.14.030(2) an amount from the municipal sales
9 and use tax equalization account equal to the amount distributed to the
10 city under RCW 82.44.155, multiplied by forty-five fifty-fifths.

11 (3) Subsequent to the distributions under subsection (2) of this
12 section, and at such times as distributions are made under RCW
13 82.44.150, the state treasurer shall apportion to each city imposing
14 the sales and use tax under RCW 82.14.030(1) at the maximum rate and
15 receiving less than seventy percent of the state-wide weighted average
16 per capita level of revenues for all cities as determined by the
17 department of revenue under subsection (1) of this section, an amount
18 from the municipal sales and use tax equalization account sufficient,
19 when added to the per capita level of revenues received the previous
20 calendar year by the city, to equal seventy percent of the state-wide
21 weighted average per capita level of revenues for all cities determined
22 under subsection (1) of this section, subject to reduction under
23 subsection (6) of this section.

24 (4) Subsequent to the distributions under subsection (3) of this
25 section, and at such times as distributions are made under RCW
26 82.44.150, the state treasurer shall apportion to each city imposing
27 the sales and use tax under RCW 82.14.030(2) at the maximum rate and
28 receiving a distribution under subsection (3) of this section, a third
29 distribution from the municipal sales and use tax equalization account.
30 The distribution to each qualifying city shall be equal to the
31 distribution to the city under subsection (3) of this section, subject
32 to the reduction under subsection (6) of this section. To qualify for
33 the distributions under this subsection, the city must impose the tax
34 under RCW 82.14.030(2) for the entire calendar year. Cities imposing
35 the tax for less than the full year shall qualify for prorated
36 allocations under this subsection proportionate to the number of months
37 of the year during which the tax is imposed.

38 (5) For a city with an official incorporation date after January 1,
39 1990, municipal sales and use tax equalization distributions shall be

1 made according to the procedures in this subsection. Municipal sales
2 and use tax equalization distributions to eligible new cities shall be
3 made at the same time as distributions are made under subsections (3)
4 and (4) of this section. The department of revenue shall follow the
5 estimating procedures outlined in this subsection until the new city
6 has received a full year's worth of revenues under RCW 82.14.030(1) as
7 of the January municipal sales and use tax equalization distribution.

8 (a) Whether a newly incorporated city determined to receive funds
9 under this subsection receives its first equalization payment at the
10 January, April, July, or October municipal sales and use tax
11 equalization distribution shall depend on the date the city first
12 imposes the tax authorized under RCW 82.14.030(1).

13 (i) A newly incorporated city imposing the tax authorized under RCW
14 82.14.030(1) effective as of January 1st shall be eligible to receive
15 funds under this subsection beginning with the April municipal sales
16 and use tax equalization distribution of that year.

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

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

27 (iv) A newly incorporated city imposing the tax authorized under
28 RCW 82.14.030(1) effective as of August 1st, September 1st, or October
29 1st shall be eligible to receive funds under this subsection beginning
30 with the January municipal sales and use tax equalization distribution
31 of the next year.

32 (v) A newly incorporated city imposing the tax authorized under RCW
33 82.14.030(1) effective as of November 1st or December 1st shall be
34 eligible to receive funds under this subsection beginning with the
35 April municipal sales and use tax equalization distribution of the next
36 year.

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

1 (i) Estimate the per capita amount of revenues from the tax
2 authorized under RCW 82.14.030(1) that the new city would have received
3 had the city received revenues from the tax the entire calendar year;
4 (ii) Calculate the amount provided under subsection (3) of this
5 section based on the per capita revenues determined under (b)(i) of
6 this subsection;
7 (iii) Prorate the amount determined under (b)(ii) of this
8 subsection by the number of months the tax authorized under RCW
9 82.14.030(1) is imposed.

10 (c) A new city imposing the tax under RCW 82.14.030(2) at the
11 maximum rate and receiving a distribution calculated under (b) of this
12 subsection shall receive another distribution from the municipal sales
13 and use tax equalization account. This distribution shall be equal to
14 the calculation made under (b)(ii) of this subsection, prorated by the
15 number of months the city imposes the tax authorized under RCW
16 82.14.030(2) at the full rate.

17 (d) The department of revenue shall advise the state treasurer of
18 the amounts calculated under (b) and (c) of this subsection and the
19 state treasurer shall distribute these amounts to the new city from the
20 municipal sales and use tax equalization account subject to the
21 limitations imposed in subsection (6) of this section.

22 (e) Revenues estimated under this subsection shall not affect the
23 calculation of the state-wide weighted average per capita level of
24 revenues for all cities made under subsection (1) of this section.

25 (6) If inadequate revenues exist in the municipal sales and use tax
26 equalization account to make the distributions under subsection (3),
27 (4), or (5) of this section, then the distributions under subsections
28 (3), (4), and (5) of this section shall be reduced ratably among the
29 qualifying cities. At such time during the year as additional funds
30 accrue to the municipal sales and use tax equalization account,
31 additional distributions shall be made under subsections (3), (4), and
32 (5) of this section to the cities.

33 (7) If the level of revenues in the municipal sales and use tax
34 equalization account exceeds the amount necessary to make the
35 distributions under subsections (2) through (5) of this section, then
36 the additional revenues shall be apportioned among the several cities
37 within the state ratably on the basis of population as last determined
38 by the office of financial management: PROVIDED, That no such

1 distribution shall be made to those cities receiving a distribution
2 under subsection (2) of this section.

3 (8) If the department receives notice of a proposed incorporation
4 under RCW 35.02.015 it shall make a determination as to whether the
5 proposed city would qualify for municipal sales and use tax
6 equalization under subsection (3) of this section by analyzing the
7 total revenue and per capita revenue for the unincorporated area
8 described in the petition for incorporation. The department shall
9 forward its determination to the county legislative authority within
10 forty-five days of the date the notice of incorporation was filed with
11 the county legislative authority.

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