
ENGROSSED SUBSTITUTE HOUSE BILL 1879

State of Washington 58th Legislature 2004 Regular Session

By House Committee on Finance (originally sponsored by
Representatives Gombosky and Cairnes)

READ FIRST TIME 03/10/03.

1 AN ACT Relating to simplifying the concurrent taxing jurisdictions
2 of the tribal municipalities and the state; amending RCW 82.14.030,
3 82.14.040, and 82.14.060; reenacting and amending RCW 82.14.050; adding
4 a new section to chapter 82.14 RCW; creating a new section; and
5 providing an effective date.

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

7 NEW SECTION. **Sec. 1.** The legislature recognizes that state and
8 tribal jurisdiction to tax the same transaction results in confusion
9 regarding the imposition and collection of tax. It is the
10 legislature's intent to allow tribal municipalities to contract with
11 the department of revenue for the distribution of tax in the same
12 manner as other cities and towns within the state of Washington.
13 Additionally, it is the legislature's intent that the tribal municipal
14 tax be treated the same as a tax imposed by a city or town tax insofar
15 as calculating the percentage of tax to be shared between the county
16 and the city or town.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.14 RCW
18 to read as follows:

1 (1) For the sole purposes of tax administration, in addition to the
2 meaning given it in RCW 82.14.020, the word "city" includes an
3 incorporated political subdivision of the Tulalip Tribes of Washington
4 when that incorporated political subdivision, with defined boundaries
5 within the reservation of the tribe, has received approval from the
6 United States department of the treasury pursuant to 26 U.S.C. Sec.
7 7871(d) and the regulations and procedures of the United States under
8 26 U.S.C. Sec. 7871(d) to be treated as a political subdivision of an
9 Indian tribal government for purposes of 26 U.S.C. Sec. 7871(d).

10 (2) As a pilot project, the department may enter into an interlocal
11 cooperation agreement pursuant to chapter 39.34 RCW with any Indian
12 tribe that has a city, as that term is used in subsection (1) of this
13 section, to administer and collect tax under the provisions of RCW
14 82.14.050 to be levied on activities occurring on federal Indian trust
15 or restricted fee lands within the boundaries of the city as the
16 boundaries are defined by the charter of the city. Any such agreement
17 is subject to the following provisions:

18 (a) The tribal sales and use tax definitions must be uniform with
19 the state and local sales and use tax definitions under chapters 82.08
20 and 82.12 RCW and this chapter.

21 (b) The tribal tax rate must be no greater than that allowed cities
22 under RCW 82.14.030.

23 (c) The tribe must agree to provide the county with a percentage of
24 its revenue, in accordance with the provisions of RCW 82.14.030; this
25 percentage subject to distribution by the department.

26 (3) The agreement may also cover additional areas of tax
27 administration, including audit and compliance, and other
28 administrative provisions of chapters 82.03, 82.08, 82.12, and 82.32
29 RCW, as may be required to simplify tax administration and tax
30 reporting. The department shall report to the legislature by December
31 1, 2005, regarding the agreement. The report shall contain information
32 on the fiscal impact of the agreement, administrative issues
33 encountered during implementation, any legal issues that need to be
34 addressed in state law, and any other matter significant to the
35 agreement. The report shall contain a recommendation on the
36 feasibility of extending this pilot project.

1 **Sec. 3.** RCW 82.14.030 and 1989 c 384 s 6 are each amended to read
2 as follows:

3 (1) The governing body of any county or city while not required by
4 legislative mandate to do so, may, by resolution or ordinance for the
5 purposes authorized by this chapter, fix and impose a sales and use tax
6 in accordance with the terms of this chapter. Such tax shall be
7 collected from those persons who are taxable by the state pursuant to
8 chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event
9 within the county or city as the case may be: PROVIDED, That except as
10 provided in RCW 82.14.230, this sales and use tax shall not apply to
11 natural or manufactured gas. The rate of such tax imposed by a county
12 shall be five-tenths of one percent of the selling price (in the case
13 of a sales tax) or value of the article used (in the case of a use
14 tax). The rate of such tax imposed by a city shall not exceed five-
15 tenths of one percent of the selling price (in the case of a sales tax)
16 or value of the article used (in the case of a use tax): PROVIDED,
17 HOWEVER, That in the event a county shall impose a sales and use tax
18 under this subsection, the rate of such tax imposed under this
19 subsection by any city therein shall not exceed four hundred and
20 twenty-five one-thousandths of one percent.

21 (2) Subject to the enactment into law of the 1982 amendment to RCW
22 82.02.020 by section 5, chapter 49, Laws of 1982 1st ex. sess., in
23 addition to the tax authorized in subsection (1) of this section, the
24 governing body of any county or city may by resolution or ordinance
25 impose an additional sales and use tax in accordance with the terms of
26 this chapter. Such additional tax shall be collected upon the same
27 taxable events upon which the tax imposed under subsection (1) of this
28 section is levied. The rate of such additional tax imposed by a county
29 shall be up to five-tenths of one percent of the selling price (in the
30 case of a sales tax) or value of the article used (in the case of a use
31 tax). The rate of such additional tax imposed by a city shall be up to
32 five-tenths of one percent of the selling price (in the case of a sales
33 tax) or value of the article used (in the case of a use tax): PROVIDED
34 HOWEVER, That in the event a county shall impose a sales and use tax
35 under this subsection at a rate equal to or greater than the rate
36 imposed under this subsection by a city within the county, the county
37 shall receive fifteen percent of the city tax: PROVIDED FURTHER, That
38 in the event that the county shall impose a sales and use tax under

1 this subsection at a rate which is less than the rate imposed under
2 this subsection by a city within the county, the county shall receive
3 that amount of revenues from the city tax equal to fifteen percent of
4 the rate of tax imposed by the county under this subsection. The
5 authority to impose a tax under this subsection is intended in part to
6 compensate local government for any losses from the phase-out of the
7 property tax on business inventories.

8 (3) As used in this section, in addition to the meaning given in
9 RCW 82.14.020, "city" has the meaning given in section 2 of this act.

10 **Sec. 4.** RCW 82.14.040 and 1982 1st ex.s. c 49 s 18 are each
11 amended to read as follows:

12 (1) Any county ordinance adopted under RCW 82.14.030(1) shall
13 contain, in addition to all other provisions required to conform to
14 this chapter, a provision allowing a credit against the county tax
15 imposed under RCW 82.14.030(1) for the full amount of any city sales or
16 use tax imposed under RCW 82.14.030(1) or in conformance with an
17 agreement subject to section 2 of this act upon the same taxable event.

18 (2) Any county ordinance adopted under RCW 82.14.030(2) shall
19 contain, in addition to all other provisions required to conform to
20 this chapter, a provision allowing a credit against the county tax
21 imposed under RCW 82.14.030(2) for the full amount of any city sales or
22 use tax imposed under RCW 82.14.030(2) or in conformance with an
23 agreement subject to section 2 of this act upon the same taxable event
24 up to the additional tax imposed by the county under RCW 82.14.030(2).

25 (3) As used in this section, in addition to the meaning given in
26 RCW 82.14.020, "city" has the meaning given in section 2 of this act.

27 **Sec. 5.** RCW 82.14.050 and 2003 c 168 s 201 and 2003 c 83 s 208 are
28 each reenacted and amended to read as follows:

29 (1) The counties, cities, and transportation authorities under RCW
30 82.14.045, public facilities districts under chapters 36.100 and 35.57
31 RCW, public transportation benefit areas under RCW 82.14.440, and
32 regional transportation investment districts shall contract, prior to
33 the effective date of a resolution or ordinance imposing a sales and
34 use tax, the administration and collection to the state department of
35 revenue, which shall deduct a percentage amount, as provided by

1 contract, not to exceed two percent of the taxes collected for
2 administration and collection expenses incurred by the department.

3 (2) The remainder of any portion of any tax authorized by this
4 chapter that is collected by the department of revenue shall be
5 deposited by the state department of revenue in the local sales and use
6 tax account hereby created in the state treasury. Moneys in the local
7 sales and use tax account may be spent only for distribution to
8 counties, cities, transportation authorities, public facilities
9 districts, public transportation benefit areas, and regional
10 transportation investment districts imposing a sales and use tax.

11 (3) All administrative provisions in chapters 82.03, 82.08, 82.12,
12 and 82.32 RCW, as they now exist or may hereafter be amended, shall,
13 insofar as they are applicable to state sales and use taxes, be
14 applicable to taxes imposed pursuant to this chapter. Counties,
15 cities, transportation authorities, public facilities districts, and
16 regional transportation investment districts may not conduct
17 independent sales or use tax audits of sellers registered under the
18 streamlined sales tax agreement.

19 (4) Except as provided in RCW 43.08.190, all earnings of
20 investments of balances in the local sales and use tax account shall be
21 credited to the local sales and use tax account and distributed to the
22 counties, cities, transportation authorities, public facilities
23 districts, public transportation benefit areas, and regional
24 transportation investment districts monthly.

25 (5) As used in this section, in addition to the meaning given in
26 RCW 82.14.020, "city" has the meaning given in section 2 of this act.

27 **Sec. 6.** RCW 82.14.060 and 1991 c 207 s 3 are each amended to read
28 as follows:

29 (1) Monthly the state treasurer shall make distribution from the
30 local sales and use tax account to the counties, cities, transportation
31 authorities, and public facilities districts the amount of tax
32 collected on behalf of each taxing authority, less the deduction
33 provided for in RCW 82.14.050. The state treasurer shall make the
34 distribution under this section without appropriation.

35 (2) In the event that any ordinance or resolution imposes a sales
36 and use tax at a rate in excess of the applicable limits contained

1 herein, such ordinance or resolution shall not be considered void in
2 toto, but only with respect to that portion of the rate which is in
3 excess of the applicable limits contained herein.

4 (3) As used in this section, in addition to the meaning given in
5 RCW 82.14.020, "city" has the meaning given in section 2 of this act.

6 NEW SECTION. **Sec. 7.** This act takes effect July 1, 2004.

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