
SUBSTITUTE HOUSE BILL 1879

State of Washington 58th Legislature 2003 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, 82.14.050, and 82.14.060; adding a new section to chapter
4 82.14 RCW; and creating a new section.

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

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

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

18 (1) For the sole purposes of tax administration, in addition to the

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

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

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

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

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

25 (3) The agreement may also cover additional areas of tax
26 administration, including audit and compliance, and other
27 administrative provisions of chapters 82.03, 82.08, 82.12, and 82.32
28 RCW, as may be required to simplify tax administration and tax
29 reporting. The department shall report to the legislature by December
30 1, 2004, regarding the agreement. The report shall contain information
31 on the fiscal impact of the agreement, administrative issues
32 encountered during implementation, any legal issues that need to be
33 addressed in state law, and any other matter significant to the
34 agreement. The report shall contain a recommendation on the
35 feasibility of extending this pilot project.

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

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

19 (2) Subject to the enactment into law of the 1982 amendment to RCW
20 82.02.020 by section 5, chapter 49, Laws of 1982 1st ex. sess., in
21 addition to the tax authorized in subsection (1) of this section, the
22 governing body of any county or city may by resolution or ordinance
23 impose an additional sales and use tax in accordance with the terms of
24 this chapter. Such additional tax shall be collected upon the same
25 taxable events upon which the tax imposed under subsection (1) of this
26 section is levied. The rate of such additional tax imposed by a county
27 shall be up to five-tenths of one percent of the selling price (in the
28 case of a sales tax) or value of the article used (in the case of a use
29 tax). The rate of such additional tax imposed by a city shall be up to
30 five-tenths of one percent of the selling price (in the case of a sales
31 tax) or value of the article used (in the case of a use tax): PROVIDED
32 HOWEVER, That in the event a county shall impose a sales and use tax
33 under this subsection at a rate equal to or greater than the rate
34 imposed under this subsection by a city within the county, the county
35 shall receive fifteen percent of the city tax: PROVIDED FURTHER, That
36 in the event that the county shall impose a sales and use tax under
37 this subsection at a rate which is less than the rate imposed under
38 this subsection by a city within the county, the county shall receive

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

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

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

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

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

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

25 **Sec. 5.** RCW 82.14.050 and 2002 c 56 s 406 are each amended to read
26 as follows:

27 (1) The counties, cities, and transportation authorities under RCW
28 82.14.045, public facilities districts under chapters 36.100 and 35.57
29 RCW, and regional transportation investment districts shall contract,
30 prior to the effective date of a resolution or ordinance imposing a
31 sales and use tax, the administration and collection to the state
32 department of revenue, which shall deduct a percentage amount, as
33 provided by contract, not to exceed two percent of the taxes collected
34 for administration and collection expenses incurred by the department.

35 (2) The remainder of any portion of any tax authorized by this
36 chapter that is collected by the department of revenue shall be

1 deposited by the state department of revenue in the local sales and use
2 tax account hereby created in the state treasury. Moneys in the local
3 sales and use tax account may be spent only for distribution to
4 counties, cities, transportation authorities, public facilities
5 districts, and regional transportation investment districts imposing a
6 sales and use tax.

7 (3) All administrative provisions in chapters 82.03, 82.08, 82.12,
8 and 82.32 RCW, as they now exist or may hereafter be amended, shall,
9 insofar as they are applicable to state sales and use taxes, be
10 applicable to taxes imposed pursuant to this chapter.

11 (4) Except as provided in RCW 43.08.190, all earnings of
12 investments of balances in the local sales and use tax account shall be
13 credited to the local sales and use tax account and distributed to the
14 counties, cities, transportation authorities, public facilities
15 districts, and regional transportation investment districts monthly.

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

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

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

26 (2) In the event that any ordinance or resolution imposes a sales
27 and use tax at a rate in excess of the applicable limits contained
28 herein, such ordinance or resolution shall not be considered void in
29 toto, but only with respect to that portion of the rate which is in
30 excess of the applicable limits contained herein.

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

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