
HOUSE BILL 2260

State of Washington 60th Legislature 2007 Regular Session

By Representatives Orcutt, Ericks, Buri, Fromhold, Schindler,
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Read first time 02/15/2007. Referred to Committee on Finance.

1 AN ACT Relating to authorizing state administration and collection
2 of local business and occupation taxes and public utility taxes;
3 amending RCW 35.102.010, 35.102.020, 82.32.010, 82.32.300, 35.102.030,
4 35.102.040, 35.102.060, 35.102.070, 35.102.080, 35.102.090, 35.102.120,
5 35.102.130, 35.102.140, 35.102.160, and 35.102.1301; adding new
6 sections to chapter 35.102 RCW; creating a new section; providing an
7 effective date; and declaring an emergency.

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

9 **Sec. 1.** RCW 35.102.010 and 2003 c 79 s 1 are each amended to read
10 as follows:

11 The legislature finds that businesses in Washington are concerned
12 about the potential for multiple taxation that arises due to the
13 various city business and occupation taxes and are concerned about the
14 lack of uniformity among city jurisdictions. The current system has a
15 negative impact on Washington's business climate. The legislature
16 further finds that local business and occupation tax revenue provides
17 a sizable portion of city revenue that is used for essential services.
18 The legislature recognizes that local government services contribute to
19 a healthy business climate.

1 The legislature intends to provide for a more uniform system of
2 city business and occupation taxes that eliminates multiple taxation,
3 while allowing for some continued local control and flexibility to
4 cities. Therefore, the legislature further finds that a uniform system
5 for the collection and administration of local business and occupation
6 taxes and public utility taxes is necessary.

7 **Sec. 2.** RCW 35.102.020 and 2003 c 79 s 2 are each amended to read
8 as follows:

9 ~~((Chapter 79, Laws of 2003 does not apply))~~ (1) This chapter
10 applies to municipal business and occupation taxes and public utility
11 taxes. Public utility taxes include, but are not limited to taxes on
12 any service that historically or traditionally has been taxed as a
13 utility business for municipal tax purposes, such as:

14 ~~((1))~~ (a) A light and power business or a natural gas
15 distribution business, as defined in RCW 82.16.010;

16 ~~((2))~~ (b) A telephone business, as defined in RCW 82.04.065;

17 ~~((3))~~ (c) Cable television services;

18 ~~((4))~~ (d) Sewer or water services;

19 ~~((5))~~ (e) Drainage services;

20 ~~((6))~~ (f) Solid waste services; or

21 ~~((7))~~ (g) Steam services.

22 (2) For the purposes of administration and collection under this
23 chapter, municipal business and occupation and public utility tax
24 classifications are to be uniform to the extent determined by the
25 department with the state business and occupation and public utility
26 tax classifications. Such classifications are to be determined by the
27 department in consultation with the cities and the association of
28 Washington businesses.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 35.102 RCW
30 to read as follows:

31 All business and occupation taxes and public utility taxes imposed
32 by a city are to be collected and administered by the department of
33 revenue as provided in this chapter and in accordance with the
34 provisions of chapter 82.32 RCW.

1 NEW SECTION. **Sec. 4.** A new section is added to chapter 35.102 RCW
2 to read as follows:

3 All of the provisions contained in chapter 82.32 RCW shall have
4 full force and application with respect to taxes imposed under the
5 provisions of this chapter.

6 **Sec. 5.** RCW 82.32.010 and 1998 c 304 s 12 are each amended to read
7 as follows:

8 The provisions of this chapter shall apply with respect to the
9 taxes imposed under chapters 82.04 through 82.14 RCW, under RCW
10 82.14B.030(3), under chapters 82.16 through 82.29A RCW of this title,
11 under chapter 84.33 RCW, under chapter 35.102 RCW, and under other
12 titles, chapters, and sections in such manner and to such extent as
13 indicated in each such title, chapter, or section.

14 **Sec. 6.** RCW 82.32.300 and 1997 c 420 s 9 are each amended to read
15 as follows:

16 The administration of this and chapters 82.04 through 82.27 RCW of
17 this title and chapter 35.102 RCW is vested in the department of
18 revenue which shall prescribe forms and rules of procedure for the
19 determination of the taxable status of any person, for the making of
20 returns and for the ascertainment, assessment and collection of taxes
21 and penalties imposed thereunder.

22 The department of revenue shall make and publish rules and
23 regulations, not inconsistent therewith, necessary to enforce
24 provisions of this chapter and chapters 82.02 through 82.23B (~~and~~),
25 82.27, and 35.102 RCW, and the liquor control board shall make and
26 publish rules necessary to enforce chapters 82.24 and 82.26 RCW, which
27 shall have the same force and effect as if specifically included
28 therein, unless declared invalid by the judgment of a court of record
29 not appealed from.

30 The department may employ such clerks, specialists, and other
31 assistants as are necessary. Salaries and compensation of such
32 employees shall be fixed by the department and shall be charged to the
33 proper appropriation for the department.

34 The department shall exercise general supervision of the collection
35 of taxes and, in the discharge of such duty, may institute and

1 prosecute such suits or proceedings in the courts as may be necessary
2 and proper.

3 **Sec. 7.** RCW 35.102.030 and 2003 c 79 s 3 are each amended to read
4 as follows:

5 The definitions in (~~this section apply throughout chapter 79, Laws~~
6 ~~of 2003, unless~~) chapters 82.04, 82.16, and 82.32 RCW apply throughout
7 this chapter, unless the terms are defined otherwise in this section or
8 the context clearly requires otherwise.

9 (1) (~~"Business" has the same meaning as given in chapter 82.04~~
10 ~~RCW-~~

11 ~~(2))~~) "City" means a city, town, or code city.

12 (2) "Department" means the department of revenue.

13 (3) "Business and occupation tax" or "gross receipts tax" means a
14 tax imposed on or measured by the value of products, the gross income
15 of the business, or the gross proceeds of sales, as the case may be,
16 and that is the legal liability of the business.

17 (4) (~~"Value of products" has the same meaning as given in chapter~~
18 ~~82.04 RCW-~~

19 ~~(5) "Gross income of the business" has the same meaning as given in~~
20 ~~chapter 82.04 RCW-~~

21 ~~(6) "Gross proceeds of sales" has the same meaning as given in~~
22 ~~chapter 82.04 RCW-))~~ "Public utility tax" means a tax imposed on the
23 gross income of a utility business or the gross proceeds of sales of a
24 utility business by a city for municipal tax purposes.

25 **Sec. 8.** RCW 35.102.040 and 2006 c 301 s 7 are each amended to read
26 as follows:

27 (1)(a) The cities, working through the association of Washington
28 cities, shall form a model ordinance development committee made up of
29 a representative sampling of cities that as of July 27, 2003, impose a
30 business and occupation tax. This committee shall work through the
31 association of Washington cities to adopt a model ordinance on
32 municipal gross receipts business and occupation tax. The model
33 ordinance and subsequent amendments shall be adopted using a process
34 that includes opportunity for substantial input from business
35 stakeholders and other members of the public. Input shall be solicited

1 from statewide business associations and from local chambers of
2 commerce and downtown business associations in cities that levy a
3 business and occupation tax.

4 (b) The municipal research council shall contract to post the model
5 ordinance on an internet web site and to make paper copies available
6 for inspection upon request. The department of revenue and the
7 department of licensing shall post copies of or links to the model
8 ordinance on their internet web sites. Additionally, a city that
9 imposes a business and occupation tax or public utility tax must make
10 copies of its ordinance available for inspection and copying as
11 provided in chapter 42.56 RCW.

12 (c) The definitions and tax classifications in the model ordinance
13 may not be amended more frequently than once every four years, however
14 the model ordinance may be amended at any time to comply with changes
15 in state law. Any amendment to a mandatory provision of the model
16 ordinance must be adopted with the same effective date by all cities.
17 The model ordinance must be amended to include provisions relating to
18 the department's administration and collection of municipal business
19 and occupation taxes and public utility taxes under this chapter.

20 (2) A city that imposes a business and occupation tax or public
21 utility tax must adopt the mandatory provisions of the model ordinance.
22 The following provisions are mandatory:

23 (a) A system of credits that meets the requirements of RCW
24 35.102.060 and a form for such use;

25 (b) A (~~uniform, minimum small business tax threshold of at least~~
26 ~~the equivalent of twenty thousand dollars in gross income annually. A~~
27 ~~city may elect to deviate from this requirement by creating a higher~~
28 ~~threshold or exemption but it shall not deviate lower than the level~~
29 ~~required in this subsection. If a city has a small business threshold~~
30 ~~or exemption in excess of that provided in this subsection as of~~
31 ~~January 1, 2003, and chooses to deviate below the threshold or~~
32 ~~exemption level that was in place as of January 1, 2003, the city must~~
33 ~~notify all businesses licensed to do business within the city at least~~
34 ~~one hundred twenty days prior to the potential implementation of a~~
35 ~~lower threshold or exemption amount)) true gross receipts tax, as
36 determined by the department;~~

37 (c) Tax reporting frequencies that meet the requirements of RCW
38 35.102.070;

1 (d) Penalty and interest provisions that meet the requirements of
2 RCW 35.102.080 and 35.102.090;

3 (e) Claim periods that meet the requirements of RCW 35.102.100;

4 (f) Refund provisions that meet the requirements of RCW 35.102.110;
5 and

6 (g) Definitions, which at a minimum, must include the definitions
7 enumerated in RCW 35.102.030 and 35.102.120, and chapters 82.04 and
8 82.16 RCW. (~~The definitions in chapter 82.04 RCW shall be used as the~~
9 ~~baseline for all definitions in the model ordinance, and any deviation~~
10 ~~in the model ordinance from these definitions must be described by a~~
11 ~~comment in the model ordinance.))~~

12 (~~3) (Except for the deduction required by RCW 35.102.160 and the~~
13 ~~system of credits developed to address multiple taxation under~~
14 ~~subsection (2)(a) of this section, a city may adopt its own provisions~~
15 ~~for tax exemptions, tax credits, and tax deductions.~~

16 (~~4) Any city that adopts an ordinance that deviates from the~~
17 ~~nonmandatory provisions of the model ordinance shall make a description~~
18 ~~of such differences available to the public, in written and electronic~~
19 ~~form)) The administration and collection of municipal business and
20 occupation and public utility taxes is to be uniform to the extent
21 provided by the department.~~

22 (4) A city may not adopt a minimum small business tax threshold.

23 (5) It is the intent of this chapter that any municipal business
24 and occupation taxes and local public utility taxes adopted pursuant to
25 this chapter are subject to the authority of the department of revenue
26 for the administration and collection of such taxes. However, the tax
27 rates imposed shall be determined by the cities, subject to any
28 existing limitations provided otherwise in statute or the state
29 Constitution.

30 (6) The rule-making powers of the department of revenue contained
31 in RCW 82.08.060 and 82.32.300 shall be applicable to this chapter.

32 NEW SECTION. Sec. 9. A new section is added to chapter 35.102 RCW
33 to read as follows:

34 The department shall develop and implement a process for the
35 collection and administration of municipal business and occupation
36 taxes and public utility taxes in accordance with this chapter. In

1 developing and implementing such a process, the department shall, among
2 the other requirements of this chapter:

3 (1) Determine when payments of business and occupation taxes or
4 public utility taxes imposed by cities, along with reports and returns
5 for such taxes on forms prescribed by the department, are due to the
6 department;

7 (2) Have authority to make administrative rulings and
8 interpretations, enter into legal action, appeal decisions, or
9 adjudicate, on behalf of the cities which impose taxes subject to this
10 chapter;

11 (3) Establish reporting thresholds in consultation with the cities
12 and the association of Washington businesses;

13 (4) Develop mechanisms, under RCW 35.102.1301, to allow the
14 provisions of this chapter to be applied in a revenue neutral manner;
15 and

16 (5) Provide that the initial collection and administration process
17 by the department for any city that adopts a municipal business and
18 occupation tax or public utility tax for the first time must begin on:

19 (a) January 1st in the year following the adoption of the tax, if the
20 tax was adopted by the city between the months of January and June; or

21 (b) July 1st in the year following the adoption of the tax, if the tax
22 was adopted by the city between the months of July and December.

23 NEW SECTION. **Sec. 10.** A new section is added to chapter 35.102
24 RCW to read as follows:

25 Any appeal made of a tax payment imposed by a city under this
26 chapter must be made to superior court as provided under RCW 82.32.180
27 or to the board of tax appeals under chapter 82.03 RCW.

28 **Sec. 11.** RCW 35.102.060 and 2003 c 79 s 6 are each amended to read
29 as follows:

30 (1) (~~(A city)~~) For cities that impose(~~(s)~~) a business and
31 occupation tax or public utility tax, the department shall provide for
32 a system of credits to avoid multiple taxation (~~(as follows)~~), which
33 includes but is not limited to the following:

34 (a) Persons who engage in business activities that are within the
35 purview of more than one classification of the tax shall be taxable
36 under each applicable classification.

1 (b) Notwithstanding anything to the contrary in this section, if
2 imposition of the tax would place an undue burden upon interstate
3 commerce or violate constitutional requirements, a taxpayer shall be
4 allowed a credit only to the extent necessary to preserve the validity
5 of the tax.

6 (c) Persons taxable under the retailing or wholesaling
7 classification with respect to selling products in a city shall be
8 allowed a credit against those taxes for any eligible gross receipts
9 taxes paid by the person (i) with respect to the manufacturing of the
10 products sold in the city, and (ii) with respect to the extracting of
11 the products, or the ingredients used in the products, sold in the
12 city. The amount of the credit shall not exceed the tax liability
13 arising with respect to the sale of those products.

14 (d) Persons taxable under the manufacturing classification with
15 respect to manufacturing products in a city shall be allowed a credit
16 against that tax for any eligible gross receipts tax paid by the person
17 with respect to extracting the ingredients of the products manufactured
18 in the city and with respect to manufacturing the products other than
19 in the city. The amount of the credit shall not exceed the tax
20 liability arising with respect to the manufacturing of those products.

21 (e) Persons taxable under the retailing or wholesaling
22 classification with respect to selling products in a city shall be
23 allowed a credit against those taxes for any eligible gross receipts
24 taxes paid by the person with respect to the printing, or the printing
25 and publishing, of the products sold within the city. The amount of
26 the credit shall not exceed the tax liability arising with respect to
27 the sale of those products.

28 (2) The model ordinance shall be drafted to address the issue of
29 multiple taxation for those tax classifications that are in addition to
30 those enumerated in subsection (1)(c) through (e) of this section. The
31 objective of any such provisions shall be to eliminate multiple
32 taxation of the same income by two or more cities.

33 **Sec. 12.** RCW 35.102.070 and 2003 c 79 s 7 are each amended to read
34 as follows:

35 A city that imposes a business and occupation tax or public utility
36 tax shall allow reporting and payment of tax (~~on a monthly, quarterly,~~
37 ~~or annual basis.~~ The frequency for any particular person may be

1 assigned at the discretion of the city, except that monthly reporting
2 may be assigned only if it can be demonstrated that the taxpayer is
3 remitting excise tax to the state on a monthly basis. For persons
4 assigned a monthly frequency, payment is due within the same time
5 period provided for monthly taxpayers under RCW 82.32.045. For persons
6 assigned a quarterly or annual frequency, payment is due within the
7 same time period as provided for quarterly or annual frequency under
8 RCW 82.32.045)) in accordance with the reporting requirements developed
9 by the department, under section 9 of this act, pursuant to chapter
10 82.32 RCW.

11 **Sec. 13.** RCW 35.102.080 and 2003 c 79 s 8 are each amended to read
12 as follows:

13 ~~((1) A city that imposes a business and occupation tax shall~~
14 ~~compute interest charged a taxpayer on an underpaid tax or penalty in~~
15 ~~accordance with RCW 82.32.050.~~

16 ~~(2) A city that imposes a business and occupation tax shall compute~~
17 ~~interest paid on refunds or credits of amounts paid or other recovery~~
18 ~~allowed a taxpayer in accordance with RCW 82.32.060.)) The department~~

19 shall compute interest charged a taxpayer on an underpaid tax or
20 penalty for the department's administration and collection of the
21 underpaid tax or penalty in accordance with RCW 82.32.050.

22 **Sec. 14.** RCW 35.102.090 and 2003 c 79 s 9 are each amended to read
23 as follows:

24 ~~((A city that imposes a business and occupation tax shall provide~~
25 ~~for the imposition of penalties in accordance with chapter 82.32 RCW.))~~
26 Penalties imposed by the department for the administration and
27 collection of any underpaid municipal business and occupation tax or
28 public utility tax, must be in accordance with chapter 82.32 RCW.

29 **Sec. 15.** RCW 35.102.120 and 2003 c 79 s 12 are each amended to
30 read as follows:

31 (1) In addition to the definitions in RCW 35.102.030, the following
32 terms and phrases must be defined in the model ordinance under RCW
33 35.102.040, ~~((and))~~ as provided by the department. Such definitions
34 shall include any specific requirements as noted in this subsection and

1 be uniform, to the extent determined by the department, to any
2 definitions provided for the state business and occupation tax or state
3 public utility tax by the department:

4 (a) Eligible gross receipts tax.

5 (b) Extracting.

6 (c) Manufacturing. Software development may not be defined as a
7 manufacturing activity.

8 (d) Retailing.

9 (e) Retail sale.

10 (f) Services. The term "services" excludes retail or wholesale
11 services.

12 (g) Wholesale sale.

13 (h) Wholesaling.

14 (i) To manufacture.

15 (j) Commercial and industrial use.

16 (k) Engaging in business.

17 (1) Person.

18 (2) Any tax classifications in addition to those enumerated in
19 subsection (1) of this section that are included in the model ordinance
20 must be uniform among all cities.

21 **Sec. 16.** RCW 35.102.130 and 2003 c 79 s 13 are each amended to
22 read as follows:

23 A city that imposes a business and occupation tax or public utility
24 tax shall provide for the allocation and apportionment of a person's
25 gross income, other than persons subject to the provisions of chapter
26 82.14A RCW, as follows:

27 (1) Gross income derived from all activities other than those taxed
28 as service or royalties shall be allocated to the location where the
29 activity takes place.

30 (a) In the case of sales of tangible personal property, the
31 activity takes place where delivery to the buyer occurs.

32 (b) If a business activity allocated under this subsection (1)
33 takes place in more than one city and all cities impose a gross
34 receipts tax or public utility tax on the same activity, a credit shall
35 be allowed as provided in RCW 35.102.060; if not all of the cities
36 impose a gross receipts tax or public utility tax on the same activity,

1 the affected cities shall allow another credit or allocation system as
2 they and the taxpayer agree.

3 (2) Gross income derived as royalties from the granting of
4 intangible rights shall be allocated to the commercial domicile of the
5 taxpayer.

6 (3) Gross income derived from activities taxed as services shall be
7 apportioned to a city by multiplying apportionable income by a
8 fraction, the numerator of which is the payroll factor plus the
9 service-income factor and the denominator of which is two.

10 (a) The payroll factor is a fraction, the numerator of which is the
11 total amount paid in the city during the tax period by the taxpayer for
12 compensation and the denominator of which is the total compensation
13 paid everywhere during the tax period. Compensation is paid in the
14 city if:

- 15 (i) The individual is primarily assigned within the city;
- 16 (ii) The individual is not primarily assigned to any place of
17 business for the tax period and the employee performs fifty percent or
18 more of his or her service for the tax period in the city; or
- 19 (iii) The individual is not primarily assigned to any place of
20 business for the tax period, the individual does not perform fifty
21 percent or more of his or her service in any city((~~+~~)), and the
22 employee resides in the city.

23 (b) The service income factor is a fraction, the numerator of which
24 is the total service income of the taxpayer in the city during the tax
25 period, and the denominator of which is the total service income of the
26 taxpayer everywhere during the tax period. Service income is in the
27 city if:

- 28 (i) The customer location is in the city; or
- 29 (ii) The income-producing activity is performed in more than one
30 location and a greater proportion of the service-income-producing
31 activity is performed in the city than in any other location, based on
32 costs of performance, and the taxpayer is not taxable at the customer
33 location; or
- 34 (iii) The service-income-producing activity is performed within the
35 city, and the taxpayer is not taxable in the customer location.

36 (c) If the allocation and apportionment provisions of this
37 subsection do not fairly represent the extent of the taxpayer's
38 business activity in the city or cities in which the taxpayer does

1 business, the taxpayer may petition for or the tax administrators may
2 jointly require, in respect to all or any part of the taxpayer's
3 business activity, that one of the following methods be used jointly by
4 the cities to allocate or apportion gross income, if reasonable:

5 (i) Separate accounting;

6 (ii) The use of a single factor;

7 (iii) The inclusion of one or more additional factors that will
8 fairly represent the taxpayer's business activity in the city; or

9 (iv) The employment of any other method to effectuate an equitable
10 allocation and apportionment of the taxpayer's income.

11 (4) The definitions in this subsection apply throughout this
12 section.

13 (a) "Apportionable income" means the gross income of the business
14 taxable under the service classifications of a city's gross receipts
15 tax, including income received from activities outside the city if the
16 income would be taxable under the service classification if received
17 from activities within the city, less any exemptions or deductions
18 available.

19 (b) "Compensation" means wages, salaries, commissions, and any
20 other form of remuneration paid to individuals for personal services
21 that are or would be included in the individual's gross income under
22 the federal internal revenue code.

23 (c) "Individual" means any individual who, under the usual common
24 law rules applicable in determining the employer-employee relationship,
25 has the status of an employee of that taxpayer.

26 (d) "Customer location" means the city or unincorporated area of a
27 county where the majority of the contacts between the taxpayer and the
28 customer take place.

29 (e) "Primarily assigned" means the business location of the
30 taxpayer where the individual performs his or her duties.

31 (f) "Service-taxable income" or "service income" means gross income
32 of the business subject to tax under either the service or royalty
33 classification.

34 (g) "Tax period" means the calendar year during which tax liability
35 is accrued. If taxes are reported by a taxpayer on a basis more
36 frequent than once per year, taxpayers shall calculate the factors for
37 the previous calendar year for reporting in the current calendar year

1 and correct the reporting for the previous year when the factors are
2 calculated for that year, but not later than the end of the first
3 quarter of the following year.

4 (h) "Taxable in the customer location" means either that a taxpayer
5 is subject to a gross receipts tax in the customer location for the
6 privilege of doing business, or that the government where the customer
7 is located has the authority to subject the taxpayer to gross receipts
8 tax regardless of whether, in fact, the government does so.

9 **Sec. 17.** RCW 35.102.140 and 2003 c 79 s 14 are each amended to
10 read as follows:

11 Cities imposing business and occupation taxes or public utility
12 taxes must comply with all requirements of RCW 35.102.020 through
13 35.102.130 by December 31, ~~((2004))~~ 2007. A city that has not complied
14 with the requirements of RCW 35.102.020 through 35.102.130 by December
15 31, ~~((2004))~~ 2007, may not impose a tax that is imposed by a city on
16 the privilege of engaging in business activities. Cities imposing
17 business and occupation taxes or public utility taxes after December
18 31, ~~((2004))~~ 2007, must comply with RCW 35.102.020 through 35.102.130.

19 **Sec. 18.** RCW 35.102.160 and 2006 c 301 s 6 are each amended to
20 read as follows:

21 ~~((A city that imposes its business and occupation tax on
22 professional employer services performed by a professional employer
23 organization, regardless of the tax classification applicable to such
24 services,))~~ The department shall provide a deduction identical to the
25 deduction in RCW 82.04.540(2) for the business and occupation tax on
26 professional employer services performed by a professional employer.

27 (2) For the purposes of this section, "professional employer
28 organization" and "professional employer services" have the same
29 meanings as in RCW 82.04.540.

30 **Sec. 19.** RCW 35.102.1301 and 2003 c 79 s 15 are each amended to
31 read as follows:

32 (1) The department ~~((of revenue))~~ shall conduct a study of the net
33 fiscal impacts of this chapter ~~((79, Laws of 2003))~~, with particular
34 emphasis on the revenue impacts of the apportionment and allocation
35 method contained in RCW 35.102.130 and any revenue impact resulting

1 from the increased uniformity and consistency provided through the
2 model ordinance. In conducting the study, the department shall use,
3 and regularly consult with, a committee composed of an equal
4 representation from interested business representatives and from a
5 representative sampling of cities imposing business and occupation
6 taxes. The department shall report the final results of the study to
7 the governor and the fiscal committees of the legislature by November
8 30, 2005. In addition, the department shall provide progress reports
9 to the governor and the fiscal committees of the legislature on
10 November 30, 2003, and November 30, 2004. As part of its report, the
11 department shall examine and recommend options to address any adverse
12 revenue impacts to local jurisdictions.

13 (2) The department shall conduct a study of the net fiscal impacts
14 of this act, with particular emphasis on the revenue impacts of
15 developing uniform classifications for public utility taxes collected
16 under this chapter and the standardization of reporting thresholds. In
17 conducting the study, the department shall consult with the cities and
18 association of Washington businesses. The department shall report the
19 final results of the study to the fiscal committees of the legislature
20 by November 30, 2007. Such report must include the department's
21 recommendations to address any adverse revenue impacts to local
22 jurisdictions.

23 (3) For the purposes of this section, "net fiscal impacts" means
24 accounting for the potential of both positive and negative fiscal
25 impacts on local jurisdictions that may result from chapter 79, Laws of
26 2003.

27 ~~((+3))~~ (4) It is the intent of the legislature through this study
28 to provide accurate fiscal impact analysis and recommended options to
29 alleviate revenue impacts from chapter 79, Laws of 2003 so as to allow
30 local jurisdictions to anticipate and appropriately address any
31 potential adverse revenue impacts from chapter 79, Laws of 2003.

32 NEW SECTION. Sec. 20. A new section is added to chapter 35.102
33 RCW to read as follows:

34 Cities, shall contract, prior to the effective date of this section
35 for the administration and collection to the state department of
36 revenue, which shall deduct a percentage amount, as provided by
37 contract, not to exceed two percent of the taxes collected for

1 administration and collection expenses incurred by the department. The
2 remainder of any portion of any tax authorized by this chapter that is
3 collected by the department of revenue shall be deposited by the state
4 department of revenue in the municipal business and occupation and
5 public utility tax account hereby created in the state treasury.
6 Moneys in the municipal business and occupation and public utility tax
7 account may be spent only for distribution to cities imposing a
8 municipal business and occupation tax or public utility tax. All
9 administrative provisions in chapters 82.03, 82.04, and 82.32 RCW, as
10 they now exist or may hereafter be amended, shall, insofar as they are
11 applicable to state business and occupation or public utility taxes, be
12 applicable to taxes imposed pursuant to this chapter. Except as
13 provided in RCW 43.08.190, all earnings of investments of balances in
14 the municipal business and occupation and public utility tax account
15 shall be credited to the municipal business and occupation and public
16 utility tax account and distributed to the cities monthly.

17 NEW SECTION. **Sec. 21.** A new section is added to chapter 35.102
18 RCW to read as follows:

19 (1) Except as provided in subsections (2), (3), and (4) of this
20 section, a municipal business and occupation tax or public utility tax
21 change shall take effect (a) no sooner than seventy-five days after the
22 department receives notice of the change and (b) only on the first day
23 of January, April, July, or October.

24 (2) In the case of a municipal business and occupation tax or
25 public utility tax that is a credit against the state business and
26 occupation tax or state public utility tax, a municipal business and
27 occupation tax or public utility tax change shall take effect (a) no
28 sooner than thirty days after the department receives notice of the
29 change and (b) only on the first day of a month.

30 (3)(a) A municipal business and occupation tax or public utility
31 tax rate increase imposed on services applies to the first billing
32 period starting on or after the effective date of the increase.

33 (b) A municipal business and occupation tax or public utility tax
34 rate decrease imposed on services applies to bills rendered on or after
35 the effective date of the decrease.

36 (c) For the purposes of this subsection (3), "services" means the

1 performance of business activities subject to either a municipal
2 business and occupation tax or public utility tax.

3 NEW SECTION. **Sec. 22.** A new section is added to chapter 35.102
4 RCW to read as follows:

5 Monthly the state treasurer shall make distributions from the
6 municipal business and occupation tax or public utility tax account to
7 the counties, cities, transportation authorities, public facilities
8 districts, and transportation benefit districts the amount of tax
9 collected on behalf of each taxing authority, less the deduction
10 provided for in RCW 82.14.050. The state treasurer shall make the
11 distribution under this section without appropriation.

12 NEW SECTION. **Sec. 23.** A new section is added to chapter 35.102
13 RCW to read as follows:

14 It is the intent of this chapter that any definitions or
15 classifications for taxes adopted pursuant to this chapter be identical
16 to the definitions and classifications for state business and
17 occupation taxes or public utility taxes in chapters 82.16 and 82.04
18 RCW, unless otherwise prohibited by federal law, and with other
19 municipal business and occupation taxes and public utility taxes
20 adopted pursuant to this chapter. The department shall, as soon as
21 practicable, and with the assistance of the appropriate associations of
22 county prosecutors and city attorneys, draft a model resolution and
23 ordinance for administration and collection of municipal business and
24 occupation and public utility taxes.

25 NEW SECTION. **Sec. 24.** A new section is added to chapter 35.102
26 RCW to read as follows:

27 The taxes provided by this chapter may be deposited by any taxpayer
28 prior to the due date thereof with the treasurer or other legal
29 depository for the benefit of the funds to which they belong to be
30 credited against any future tax or assessment that may be levied or
31 become due from the taxpayer. However, the taxpayer may with the
32 concurrence of the legislative authority designate a particular fund of
33 such county or city against which such prepayment of tax or assessment
34 is made. Such prepayment of taxes or assessments shall not be

1 considered to be a debt for the purpose of the limitation of
2 indebtedness imposed by law on a city.

3 By agreement made pursuant to chapter 39.34 RCW, cities may utilize
4 tax revenues received under the authority of this chapter for any
5 purpose within their power or powers, privileges or authority exercised
6 or capable of exercise by the cities.

7 NEW SECTION. **Sec. 25.** A new section is added to chapter 35.102
8 RCW to read as follows:

9 When permitted by resolution or ordinance, any tax authorized by
10 this chapter may be paid prior to the taxable event to which it may be
11 attributable. Such prepayment shall be made by deposit with the
12 treasurer or other legal depository for the benefit of the funds to
13 which they belong. They shall be credited by any county or city
14 against any future tax that may become due from a taxpayer. However,
15 the taxpayer with the concurrence of the legislative authority may
16 designate a particular fund of the city against which such prepayment
17 of tax is made. Prepayment of taxes under this section shall not
18 relieve any taxpayer from remitting the full amount of any tax imposed
19 under the authority of this chapter upon the occurrence of the taxable
20 event.

21 NEW SECTION. **Sec. 26.** A new section is added to chapter 35.102
22 RCW to read as follows:

23 A person with three or more cities to which such person is required
24 to report municipal business and occupation or public utility taxes,
25 must electronically file with the department all returns, forms, and
26 other information that the department requires in an electronic format
27 as provided or as approved by the department. Any return, form, or
28 information required to be filed in an electronic format under this
29 section is not filed until received by the department in an electronic
30 format. As used in this section, "returns" has the same meaning as
31 "return" in RCW 82.32.050.

32 NEW SECTION. **Sec. 27.** If any provision of this act or its
33 application to any person or circumstance is held invalid, the
34 remainder of the act or the application of the provision to other
35 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 28.** This act applies to taxes levied in 2008
2 and collected in 2009.

3 NEW SECTION. **Sec. 29.** Section 16 of this act takes effect January
4 1, 2008.

5 NEW SECTION. **Sec. 30.** Except for section 16 of this act, this act
6 is necessary for the immediate preservation of the public peace,
7 health, or safety, or support of the state government and its existing
8 public institutions, and takes effect immediately.

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