

ESHB 1478 - S AMD TO GO COMM AMD (S-2305.3/11) **254**
By Senators Nelson, Pridemore

ADOPTED 04/04/2011

1 On page 16, after line 19 of the amendment, insert the following:

2 "Sec. 10. RCW 82.14.415 and 2009 c 550 s 1 are each amended to
3 read as follows:

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

13 (a) The city has commenced annexation of an area having a
14 population of at least ten thousand people, or four thousand in the
15 case of a city described under subsection (3)(a)(i) of this section,
16 prior to January 1, 2015; and

17 (b) The city legislative authority determines by resolution or
18 ordinance that the projected cost to provide municipal services to the
19 annexation area exceeds the projected general revenue that the city
20 would otherwise receive from the annexation area on an annual basis.

21 (2) The tax authorized under this section is a credit against the
22 state tax under chapter 82.08 or 82.12 RCW. The department of revenue
23 (~~(shall)~~) must perform the collection of such taxes on behalf of the
24 city at no cost to the city and (~~(shall)~~) must remit the tax to the
25 city as provided in RCW 82.14.060.

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

28 (i) 0.1 percent for each annexed area in which the population is
29 greater than ten thousand and less than twenty thousand. The ten
30 thousand population threshold in this subsection (3)(a)(i) is four

1 thousand for a city with a population between one hundred fifteen
2 thousand and one hundred forty thousand and located within a county
3 with a population over one million five hundred thousand; and

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

6 (b) Beginning July 1, 2011, the maximum rate of tax imposed under
7 this section is 0.85 percent for an annexed area in which the
8 population is greater than (~~eighteen~~) sixteen thousand if the annexed
9 area was, prior to November 1, 2008, officially designated as a
10 potential annexation area by more than one city, one of which has a
11 population greater than four hundred thousand.

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

16 (b) The maximum cumulative rate of tax a city may impose under
17 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
18 2011, if the city commenced annexation of an area, prior to January 1,
19 2010, that would have otherwise allowed the city to increase the rate
20 of tax imposed under this section absent the rate limit imposed in (a)
21 of this subsection.

22 (c) The maximum cumulative rate of tax a city may impose under
23 subsection (3)(b) of this section is 0.85 percent for the single
24 annexed area the city may annex and the amount of tax distributed to a
25 city under subsection (3)(b) of this section (~~shall~~) may not exceed
26 five million dollars per fiscal year.

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

34 (6) All revenue collected under this section (~~shall~~) may be used
35 solely to provide, maintain, and operate municipal services for the
36 annexation area.

37 (7) The revenues from the tax authorized in this section may not
38 exceed that which the city deems necessary to generate revenue equal to

1 the difference between the city's cost to provide, maintain, and
2 operate municipal services for the annexation area and the general
3 revenues that the cities would otherwise expect to receive from the
4 annexation during a year. If the revenues from the tax authorized in
5 this section and the revenues from the annexation area exceed the costs
6 to the city to provide, maintain, and operate municipal services for
7 the annexation area during a given year, the city (~~shall~~) must notify
8 the department and the tax distributions authorized in this section
9 (~~shall~~) must be suspended for the remainder of the year.

10 (8) No tax may be imposed under this section before July 1, 2007.
11 Before imposing a tax under this section, the legislative authority of
12 a city (~~shall~~) must adopt an ordinance that includes the following:

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

15 (b) The rate of tax under this section that (~~shall be~~) is imposed
16 within the city; and

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

19 (9) The tax (~~shall~~) must cease to be distributed to the city for
20 the remainder of the fiscal year once the threshold amount has been
21 reached. No later than March 1st of each year, the city (~~shall~~) must
22 provide the department with a certification of the city's true and
23 actual costs to provide municipal services to the annexed area, a new
24 threshold amount for the next fiscal year, and notice of any applicable
25 tax rate changes. Distributions of tax under this section (~~shall~~)
26 must begin again on July 1st of the next fiscal year and continue until
27 the new threshold amount has been reached or June 30th, whichever is
28 sooner. Any revenue generated by the tax in excess of the threshold
29 amount (~~shall~~) belongs to the state of Washington. Any amount
30 resulting from the threshold amount less the total fiscal year
31 distributions, as of June 30th, (~~shall~~) may not be carried forward to
32 the next fiscal year.

33 (10) The tax (~~shall~~) must cease to be distributed to a city
34 imposing the tax under subsection (3)(b) of this section for the
35 remainder of the fiscal year, if the total distributions to the city
36 imposing the tax exceed five million dollars for the fiscal year.

37 The resident population of the annexation area must be
38 determined in accordance with chapter 35.13 or 35A.14 RCW.

1 (12) The following definitions apply throughout this section unless
2 the context clearly requires otherwise:

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

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

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

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

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

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

18 (g) "Threshold amount" means the maximum amount of tax
19 distributions as determined by the city in accordance with subsection
20 (7) of this section that the department (~~shall~~) must distribute to
21 the city generated from the tax imposed under this section in a fiscal
22 year."

23 Renumber the remaining sections consecutively and correct any
24 internal references accordingly.

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25 On page 25, line 3 of the title amendment, after "82.02.080,"
26 insert "82.14.415,"

EFFECT: Changes the population threshold from 18,000 to 16,000 to

impose the 0.85 percent rate under the annexation sales and use tax. Specifies that the resident population of the annexed territory must be determined in accordance with the generally applicable methods for determining annexation populations.

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