
HOUSE BILL 2451

State of Washington

69th Legislature

2026 Regular Session

By Representatives Duerr, Berg, and Parshley

Read first time 01/13/26. Referred to Committee on Local Government.

1 AN ACT Relating to local tax increment financing; amending RCW
2 39.114.010, 39.114.020, 39.114.030, 39.114.040, and 39.114.050; and
3 providing an effective date.

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

5 **Sec. 1.** RCW 39.114.010 and 2024 c 236 s 1 are each amended to
6 read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

9 (1) "Assessed value of real property" means the valuation of
10 taxable real property as placed on the last completed assessment roll
11 prepared pursuant to Title 84 RCW.

12 (2) "Consumer price index" means the consumer price index for all
13 urban consumers in the west region as published by the United States
14 bureau of labor statistics.

15 (3) "Increment area" means the geographic area within which
16 regular property tax revenues are to be apportioned to pay public
17 improvement costs, as authorized under this chapter.

18 ~~((3))~~ (4) "Increment value" means 100 percent of any increase
19 in the true and fair value of real property in an increment area that
20 is placed on the tax rolls after the increment area takes effect. The
21 increment value shall not be less than zero.

1 ~~((4))~~ (5) "Local government" means any city, town, county, port
2 district, or any combination thereof.

3 ~~((5))~~ (6) "Ordinance" means any appropriate method of taking
4 legislative action by a local government, including a resolution
5 adopted by a port district organized under Title 53 RCW.

6 ~~((6))~~ (7) "Public improvement costs" means the costs of:

7 (a) Design, planning, acquisition, required permitting, required
8 environmental studies and mitigation, seismic studies or surveys,
9 archaeological studies or surveys, land surveying, site acquisition,
10 including appurtenant rights and site preparation, construction,
11 reconstruction, rehabilitation, improvement, expansion, and
12 installation of public improvements, and other directly related
13 costs;

14 (b) Relocating, maintaining, and operating property pending
15 construction of public improvements;

16 (c) Relocating utilities as a result of public improvements;

17 (d) Financing public improvements, including capitalized interest
18 for up to six months following completion of construction, legal and
19 other professional services, taxes, insurance, principal and interest
20 costs on general indebtedness issued to finance public improvements,
21 and any necessary debt service reserves;

22 (e) Expenses incurred in revaluing real property for the purpose
23 of determining the tax allocation base value by a county assessor
24 under chapter 84.41 RCW and expenses incurred by a county treasurer
25 under chapter 84.56 RCW in apportioning the taxes and complying with
26 this chapter and other applicable law. For purposes of this
27 subsection ~~((6))~~ (7) (e), "expenses incurred" means actual staff and
28 software costs directly related to the implementation and ongoing
29 administration of increment areas under this chapter;

30 (f) Administrative expenses and feasibility studies reasonably
31 necessary and related to these costs, including related costs that
32 may have been incurred before adoption of the ordinance authorizing
33 the public improvements and the use of tax increment financing to
34 fund the costs of the public improvements; and

35 (g) Funding for interlocal agreements, revenue sharing
36 agreements, and mitigation to impacted taxing districts as allowed in
37 RCW 39.114.020.

38 ~~((7))~~ (8) "Public improvements" means:

39 (a) Infrastructure improvements owned by a state or local
40 government within or outside of and serving the increment area and

1 real property owned or acquired by a local government within the
2 increment area including:

- 3 (i) Street and road construction;
- 4 (ii) Water and sewer system construction, expansion, and
5 improvements;
- 6 (iii) Sidewalks and other nonmotorized transportation
7 improvements and streetlights;
- 8 (iv) Parking, terminal, and dock facilities;
- 9 (v) Park and ride facilities or other transit facilities;
- 10 (vi) Park and community facilities and recreational areas;
- 11 (vii) Stormwater and drainage management systems;
- 12 (viii) Electric, broadband, or rail service;
- 13 (ix) Mitigation of brownfields; (~~(x)~~)
- 14 (x) Fire, life, and public safety facilities and equipment
15 necessary to provide the desired level of service to the increment
16 area; and

17 (b) Expenditures for any of the following purposes:

- 18 (i) Purchasing, rehabilitating, retrofitting for energy
19 efficiency, and constructing housing for the purpose of creating or
20 preserving long-term affordable housing;
- 21 (ii) Purchasing, rehabilitating, retrofitting for energy
22 efficiency, and constructing child care facilities serving children
23 and youth that are low-income, homeless, or in foster care;
- 24 (iii) Providing maintenance and security for the public
25 improvements;
- 26 (iv) Historic preservation activities authorized under RCW
27 35.21.395; or
- 28 (v) Relocation and construction of a government-owned facility,
29 with written permission from the agency owning the facility and the
30 office of financial management.

31 (~~(+8)~~) (9) "Real property" means:

- 32 (a) Real property as defined in RCW 84.04.090; and
- 33 (b) Privately owned or used improvements located on publicly
34 owned land that are subject to property taxation or leasehold excise
35 tax.

36 (~~(+9)~~) (10) "Regular property taxes" means regular property
37 taxes as defined in RCW 84.04.140, except: (a) Regular property taxes
38 levied by port districts or public utility districts to the extent
39 necessary for the payments of principal and interest on general
40 obligation debt; and (b) regular property taxes levied by the state

1 for the support of the common schools under RCW 84.52.065. Regular
2 property taxes do not include excess property tax levies that are
3 exempt from the aggregate limits for junior and senior taxing
4 districts as provided in RCW 84.52.043. "Regular property taxes" does
5 not include excess property taxes levied by local school districts or
6 emergency medical care and service taxes levied under RCW 84.52.069.

7 ~~((10))~~ (11) "Tax allocation base value" means the assessed
8 value of real property located within an increment area for taxes
9 imposed in the year in which the increment area takes effect.

10 ~~((11))~~ (12) "Tax allocation revenues" means those revenues
11 derived from the imposition of regular property taxes on the
12 increment value.

13 ~~((12))~~ (13) "Taxing district" means a governmental entity that
14 levies or has levied for it regular property taxes upon real property
15 located within a proposed or approved increment area.

16 **Sec. 2.** RCW 39.114.020 and 2025 c 417 s 1310 are each amended to
17 read as follows:

18 (1) A local government may designate an increment area under this
19 chapter and use the tax allocation revenues to pay public improvement
20 costs, subject to the following conditions:

21 (a) The local government must adopt an ordinance designating an
22 increment area within its boundaries and describing the public
23 improvements proposed to be paid for, or financed with, tax
24 allocation revenues;

25 (b) The local government may not designate increment area
26 boundaries such that the entirety of its territory falls within an
27 increment area;

28 (c)(i) Except as provided in (c)(ii) of this subsection, the
29 increment area may not have an assessed valuation of more than
30 \$200,000,000 as adjusted annually by the consumer price index or more
31 than 20 percent of the sponsoring jurisdiction's total assessed
32 valuation, whichever is less, when the ordinance is passed. If a
33 sponsoring jurisdiction creates two increment areas, the total
34 combined assessed valuation in both of the two increment areas may
35 not equal more than \$200,000,000 as adjusted annually by the consumer
36 price index or more than 20 percent of the sponsoring jurisdiction's
37 total assessed valuation, whichever is less, when the ordinances are
38 passed creating the increment areas.

1 (ii) During the 2026 fiscal year, a sponsoring jurisdiction may
2 enact a tax increment area or areas with a combined assessed
3 valuation greater than \$200,000,000 but no more than \$500,000,000 if:

4 (A) The sponsoring jurisdiction is a city with a population over
5 150,000 but less than 170,000 and is located in a county with a
6 population of over 1,500,000;

7 (B) The tax increment area is connected to Interstate 405 and the
8 transportation-related public improvements that will be funded
9 enhance the integration and connection of neighborhoods within and
10 adjacent to the increment area;

11 (C) The sponsoring jurisdiction enacted an ordinance designating
12 the increment area no later than June 30, 2026; and

13 (D) A governing body of any taxing district within the increment
14 area approves by a majority vote, and according to the governing
15 body's ordinance and publication procedures, the taxing district's
16 partial or full participation in the tax increment project. If the
17 governing body does not approve its participation, the taxing
18 district's property taxes are not subject to apportionment under this
19 chapter and the taxing district is excluded from the provisions of
20 this section;

21 (d) Except as otherwise provided in (c)(ii) of this subsection, a
22 local government can create no more than two active increment areas
23 at any given time and they may not physically overlap by including
24 the same land in more than one increment area created by any local
25 government at any time;

26 (e) The ordinance must set a sunset date for the increment area,
27 which (~~may~~) must be the earlier of no more than 25 years after the
28 first year in which tax allocation revenues are collected from the
29 increment area or the date that the tax allocation revenues equal the
30 maximum amount of public improvements obligations, including any debt
31 service obligations identified in the ordinance;

32 (f) The ordinance must identify the public improvements to be
33 financed and indicate whether the local government intends to issue
34 bonds or other obligations, payable in whole or in part, from tax
35 allocation revenues to finance the public improvement costs, and must
36 estimate the maximum amount of obligations contemplated;

37 (g) The ordinance must provide that the increment area takes
38 effect on June 1st following the adoption of the ordinance in (a) of
39 this subsection;

1 (h) The sponsoring jurisdiction may not add additional public
2 improvements to the project after adoption of the ordinance creating
3 the increment area or change the boundaries of the increment area.
4 The sponsoring jurisdiction may expand, alter, or add to the original
5 public improvements when doing so is necessary to assure the
6 originally approved improvements can be constructed or operated;

7 (i) The ordinance must impose a deadline by which commencement of
8 construction of the public improvements shall begin, which deadline
9 must be ~~((at least))~~ no more than five years into the future and for
10 which extensions not to exceed two years shall be made available for
11 good cause; ~~((and))~~

12 (j) The local government must make a finding that:

13 (i) The public improvements proposed to be paid or financed with
14 tax allocation revenues are ~~((expected))~~ necessary to encourage
15 private development within the increment area and to increase the
16 assessed value of real property within the increment area;

17 (ii) Private development that is anticipated to occur within the
18 increment area as a result of the proposed public improvements will
19 be permitted consistent with the permitting jurisdiction's applicable
20 zoning and development standards;

21 (iii) The private development would not reasonably be expected to
22 occur solely through private investment within the reasonably
23 foreseeable future without the proposed public improvements; and

24 (iv) The increased assessed value within the increment area that
25 could reasonably be expected to occur without the proposed public
26 improvements would be less than the increase in the assessed value
27 estimated to result from the proposed development with the proposed
28 public improvements; and

29 (k) The ordinance may not include areas within an increment area
30 that already have necessary public improvements for development or
31 where a private building or structure is under construction, has an
32 active application for construction, has a valid permit for
33 construction, or is undergoing a project-level environmental review
34 process under chapter 43.21C RCW, before the formation of an
35 increment area.

36 (2) In considering whether to designate an increment area, the
37 legislative body of the local government must prepare a project
38 analysis that shall include, but need not be limited to, the
39 following:

- 1 (a) A statement of objectives of the local government for the
2 designated increment area;
- 3 (b) A statement as to the property within the increment area, if
4 any, that the local government may intend to acquire;
- 5 (c) The duration of the increment area;
- 6 (d) Identification of all parcels to be included in the area;
- 7 (e) A description of the expected private development within the
8 increment area, including a comparison of scenarios with the proposed
9 public improvements and without the proposed public improvements;
- 10 (f) A ~~((description))~~ list of the public improvements, including
11 individual improvements in priority order with each improvement's
12 nexus to encouraging private development, estimated completion date,
13 estimated public improvement costs, proposed funding sources, and the
14 estimated amount of bonds or other obligations expected to be issued
15 to finance the public improvement costs and repaid with tax
16 allocation revenues;
- 17 (g) The assessed value of real property listed on the tax roll as
18 certified by the county assessor under RCW 84.52.080 from within the
19 increment area and an estimate of the increment value and tax
20 allocation revenues expected to be generated;
- 21 (h) An estimate of the job creation reasonably expected to result
22 from the public improvements and the private development expected to
23 occur in the increment area;
- 24 (i) An assessment of any impacts on the following:
- 25 (i) Affordable and low-income housing;
- 26 (ii) The local business community;
- 27 (iii) The local school districts; and
- 28 (iv) The ~~((local fire service, public hospital service, and~~
29 ~~emergency medical services))~~ taxing districts; and
- 30 (j) The assessment of impacts under (i) of this subsection (2)
31 must be done in consultation with any impacted taxing district
32 consistent with RCW 39.114.040 and include ((any)):
- 33 (i) An estimate of the revenue impacts to each taxing district in
34 the area, including tax allocation revenues, levy rate adjustments,
35 and other revenues including, but not limited to, impact fees, fire
36 benefit charges, sales tax, and utility tax, over the term of the
37 increment area; and
- 38 (ii) Any necessary mitigation to the ((local fire service, public
39 hospital service, and emergency medical services; and

1 ~~(k) An assessment of any impacts of any other junior taxing~~
2 ~~districts not referenced in (i) of this subsection (2))~~ taxing
3 districts.

4 (3) The local government may charge a private developer, who
5 agrees to participate in creating the increment area, a fee
6 sufficient to cover the cost of the project analysis and establishing
7 the increment area, including staff time, professionals and
8 consultants, and other administrative costs related to establishing
9 the increment area.

10 (4) Nothing in this section prohibits a local government from
11 entering into an agreement under chapter 39.34 RCW with another local
12 government for the administration or other activities related to tax
13 increment financing authorized under this section.

14 (5) (a) If the project analysis indicates that an increment area
15 will impact at least 20 percent of the assessed value in a public
16 hospital district, fire protection district, or regional fire
17 protection service authority, or if the public hospital district's or
18 the fire service agency's annual report, or other governing board-
19 adopted capital facilities plan, demonstrates an increase in the
20 level of service directly related to the increased development in the
21 increment area, the local government must enter into negotiations for
22 a mitigation plan with the impacted public hospital district, fire
23 protection district, or regional fire protection service authority to
24 address level of service issues in the increment area.

25 (b) If the parties cannot agree pursuant to (a) of this
26 subsection (5), the parties must proceed to arbitration to determine
27 the appropriate mitigation plan. The board of arbitrators must
28 consist of three persons: One appointed by the local government
29 seeking to designate the increment area and one appointed by the
30 junior taxing district, both of whom must be appointed within 60 days
31 of the date when arbitration is requested, and a third arbitrator who
32 must be appointed by agreement of the other two arbitrators within 90
33 days of the date when arbitration is requested. If the two are unable
34 to agree on the appointment of the third arbitrator within this 90-
35 day period, then the third arbitrator must be appointed by a judge in
36 the superior court of the county within which the largest portion of
37 the increment area is located. The determination by the board of
38 arbitrators is binding on both the local government seeking to impose
39 the increment area and the junior taxing district.

1 (6)(a) For increment areas that take effect after June 1, 2026,
2 the local government designating the increment area and any impacted
3 taxing district must begin negotiations to develop an agreement if a
4 taxing district, within 30 days of receiving the project analysis as
5 required in subsection (8) of this section, indicates any of the
6 following conditions:

7 (i) The increment area will create an increase in residential
8 development of at least 50 units or impact at least 10 percent of the
9 assessed value in the impacted taxing district;

10 (ii) The impacted taxing district can demonstrate or has
11 forecasted an increase in the service demands directly related to the
12 increased development in the increment area;

13 (iii) The project analysis forecasts a loss of property tax
14 revenue over the term of the increment area; or

15 (iv) A taxing district is subject to more than one tax increment
16 area and the proposed increment area will result in more than 20
17 percent of the taxing district's assessed value being subject to tax
18 increment areas.

19 (b) If voters in the impacted taxing district approve a property
20 tax levy lid lift, the impacted taxing district and the local
21 government designating an increment area must review the agreement
22 and address impacts related to the levy lid lift. Either party may
23 initiate a review of any agreement no more frequently than every five
24 years. Subsequent revisions of an agreement are not subject to
25 arbitration.

26 (c) If the parties cannot agree pursuant to (a) of this
27 subsection (6), the parties must proceed to mediation within 30 days
28 of the end of the notice and consultation period in RCW 39.114.040 to
29 further attempt to reach an agreement.

30 (d) If, after 30 days, the parties cannot agree in mediation, the
31 parties must proceed to arbitration within 90 days of the end of the
32 notice and consultation period in RCW 39.114.040 to determine the
33 appropriate mitigation plan. The board of arbitrators must consist of
34 three persons: One appointed by the local government seeking to
35 designate the increment area and one appointed by the impacted taxing
36 district, both of whom must be appointed within 30 days of the date
37 when arbitration is requested, and a third arbitrator who must be
38 appointed by agreement of the other two arbitrators within 30 days of
39 the date when arbitration is requested. If the two are unable to
40 agree on the appointment of the third arbitrator within this 60-day

1 period, then the third arbitrator must be appointed by a judge in the
2 superior court of the county within which the largest portion of the
3 increment area is located. The determination by the board of
4 arbitrators is binding on both the local government seeking to impose
5 the increment area and the impacted taxing district. In making a
6 determination, the board of arbitrators must consider:

7 (i) Whether new service demands will be created directly by the
8 new development in the increment area that are not funded by the
9 corresponding revenue generated by the new development;

10 (ii) Whether the impacted taxing district will experience a loss
11 of property tax revenue beyond the base level and has taken steps to
12 address impacts to property tax revenues as allowed under RCW
13 84.55.010;

14 (iii) How the increment area may impact taxpayers outside of the
15 increment area;

16 (iv) Other revenues generated for the impacted taxing district in
17 the increment area; and

18 (v) The overall 25-year impact of the increment area on the
19 impacted taxing district, including the broader economic impacts of
20 the development.

21 (e) Mitigation may include reductions or suspensions in the
22 percentage or term of tax allocation revenues transferred to the
23 local government designating the increment area, the use of tax
24 allocation revenues to fund public improvements to serve the
25 projected development in the increment area, and other provisions
26 designed to mitigate the impacts on taxing districts. Mitigation may
27 not include allowing a taxing district to opt out or be removed from
28 participation in the tax allocation and increment area. Any decision
29 must be consistent with the uniformity requirement of Article VII,
30 section 1 of the state Constitution.

31 (7) The local government (~~may~~) must reimburse the assessor and
32 treasurer for their costs as provided in RCW 39.114.010(~~(+6)~~) (7)
33 (e).

34 (~~(+7)~~) (8) Prior to the adoption of an ordinance authorizing
35 creation of an increment area, the local government must:

36 (a) Hold at least two public (~~briefings~~) hearings for the
37 community solely on the tax increment project that include the
38 description of the increment area, the public improvements proposed
39 to be financed with the tax allocation revenues, and a detailed
40 estimate of tax revenues for the participating local governments and

1 taxing districts, including the amounts allocated to the increment
2 public improvements. The (~~briefings~~) hearings must be announced at
3 least two weeks prior to the date being held, including publishing in
4 a legal newspaper of general circulation and posting information on
5 the local government website and all local government social media
6 sites, and must occur no earlier than 90 days after submitting the
7 project analysis to the office of the treasurer and all local
8 governments and taxing districts impacted by the increment area;

9 (b) Submit the project analysis to all local governments and
10 taxing districts impacted by the increment (~~area no less than 90~~
11 ~~days prior to the adoption of the ordinance~~) at the same time as
12 submitting the analysis to the office of the treasurer; and

13 (c) Submit the project analysis to the office of the treasurer
14 for review and consider any comments that the treasurer may provide
15 upon completion of their review of the project analysis as provided
16 under this subsection. The treasurer must complete the review within
17 90 days of receipt of the project analysis, must accept and consider
18 comments from taxing districts, and may consult with other agencies
19 and outside experts as necessary. Upon completing their review, the
20 treasurer must promptly provide to the local government, and any
21 taxing district that submitted comments, any comments regarding
22 suggested revisions or enhancements to the project analysis that the
23 treasurer deems appropriate based on the requirements in subsection
24 (2) of this section.

25 **Sec. 3.** RCW 39.114.030 and 2021 c 207 s 3 are each amended to
26 read as follows:

27 (1) Public improvements that are financed under this chapter may
28 be undertaken and coordinated with other programs or efforts
29 undertaken by the local government and other taxing districts and may
30 be funded in part from revenue sources other than tax allocation
31 revenues.

32 (2) Public improvements that are constructed by a private
33 developer must meet all applicable state and local laws.

34 (3) A private developer may construct public improvements and
35 receive payment from tax allocation revenues received by the local
36 government as part of a reimbursement agreement between the parties.
37 Any reimbursement paid to the developer must only be secured by tax
38 allocation revenues received by the local government.

1 **Sec. 4.** RCW 39.114.040 and 2024 c 236 s 3 are each amended to
2 read as follows:

3 The local government designating the increment area must:

4 (1) Provide written notice to the governing body of each taxing
5 district within which the increment area is located a minimum of
6 ~~((90))~~ 180 days before submitting the project analysis to the office
7 of the treasurer as required in RCW 39.114.020~~((+7))~~ (8)(c) and
8 offer to consult with the affected taxing district within 30 days for
9 the purpose of discussing the proposed increment area and the
10 development of the project analysis, including revenue and mitigation
11 impacts;

12 (2) Publish notice in a legal newspaper of general circulation
13 within the jurisdiction of the local government at least two weeks
14 before the date on which the ordinance authorizing creation of an
15 increment area is adopted that describes the public improvements,
16 describes the boundaries of the increment area, and identifies the
17 location and times where the ordinance and other public information
18 concerning the public improvement may be inspected; ~~((and))~~

19 (3) Deliver a certified copy of the adopted ordinance to the
20 county treasurer, the county assessor, and the governing body of each
21 taxing district within which the increment area is located at the
22 respective addresses specified pursuant to RCW 42.56.040 within 10
23 days of the date on which the ordinance was adopted; and

24 (4)(a) Prepare and make available to the residents of all
25 impacted taxing jurisdictions an annual report on the status of the
26 increment area, including:

27 (i) Progress on construction of public improvements funded by the
28 increment value;

29 (ii) The economic benefits created in the increment area;

30 (iii) The status of mitigation to impacted taxing districts;

31 (iv) How the increment area has impacted tax revenues and rates
32 in the impacted taxing districts; and

33 (b) Request and include in its annual report any statements
34 provided by impacted taxing districts.

35 **Sec. 5.** RCW 39.114.050 and 2023 c 354 s 4 are each amended to
36 read as follows:

37 Apportionment of taxes shall be as follows:

38 (1) Commencing in the calendar year immediately following the
39 calendar year in which the increment area takes effect in accordance

1 with RCW 39.114.020, the county treasurer shall distribute receipts
2 from regular property taxes imposed on real property located in the
3 increment area as follows:

4 (a) Each taxing district shall receive that portion of its
5 regular property taxes produced by the rate of tax levied by or for
6 the taxing district on the tax allocation base value for that
7 increment area;

8 (i) This apportionment does not interfere with the calculation
9 and implementation of a taxing district's highest allowable levy per
10 RCW 84.55.010 subject to action by its governing body;

11 (ii) Should a taxing district subsequently pass a voter approved
12 levy lid lift, the tax allocation base value must be recalculated to
13 proportionally increase by the percentage amount of the tax rate
14 increase from the current rate in the first year due to the levy lid
15 lift;

16 (b) The local government that designated the increment area shall
17 be entitled to receive an additional amount equal to the amount
18 derived from the regular property taxes levied by or for each taxing
19 district upon the increment value within the increment area. The
20 local government that designated the increment area shall receive no
21 more than is needed to pay or repay costs directly associated with
22 the public improvements identified in the approved ordinance and may
23 agree to receive less than the full amount of this portion, as long
24 as bond debt service, reserve, and other bond covenant requirements
25 are satisfied, in which case the balance of these tax receipts shall
26 be allocated to the taxing districts that imposed regular property
27 taxes, or have regular property taxes imposed for them, in the
28 increment area for collection that year in proportion to their
29 regular tax levy rates for collection that year. The local government
30 may request that the treasurer transfer this additional portion of
31 the property taxes to its designated agent. The portion of the tax
32 receipts distributed to the local government or its agent under this
33 subsection (1)(b) may only be expended to finance public improvement
34 costs associated with the public improvements financed in whole or in
35 part by tax increment financing; and

36 (c) This section shall not apply to any receipts from the regular
37 property taxes levied by:

38 (i) The state for the support of the common schools under RCW
39 84.52.065;

40 (ii) Local school district excess levies; and

1 (iii) Port districts or public utility districts specifically for
2 the purpose of making required payments of principal and interest or
3 general indebtedness.

4 (2) The apportionment of tax allocation revenues must cease when
5 the taxing district certifies to the county assessor in writing that
6 tax allocation revenues are no longer necessary or obligated to pay
7 public improvement costs, but in no event shall the apportionment of
8 tax allocation revenues continue beyond the sunset date established
9 pursuant to RCW 39.114.020(1)(e). Any excess tax allocation revenues
10 and earnings on the tax allocation revenues remaining at the time the
11 apportionment of tax receipts terminates must be returned to the
12 county treasurer and distributed to the taxing districts that imposed
13 regular property taxes, or had regular property taxes imposed for it,
14 in the increment area for collection that year, in proportion to the
15 rates of their regular property tax levies for collection that year.

16 (3) The apportionment and distribution of portions of the regular
17 property taxes levied by or for each taxing district upon the
18 increment value within the increment area pursuant to and subject to
19 the requirements of this chapter is declared to be a public purpose
20 of and benefit each such taxing district.

21 (4) The apportionment and distribution of portions of the regular
22 property taxes levied by or for each taxing district upon the
23 increment value within the increment area pursuant to this section
24 shall not affect or be deemed to affect the rate of taxes levied by
25 or within any such taxing district or the consistency of any such
26 levies with the uniformity requirement of Article VII, section 1 of
27 the state Constitution.

28 (5)(a) For a local government having a designated increment area
29 under this chapter as of May 9, 2023, the county assessor must adjust
30 the tax allocation base value for that increment area to include the
31 assessed value of any privately owned improvements located on
32 publicly owned land for taxes imposed in the year in which the
33 increment area was first designated. However, no adjustment is
34 required if the increment area does not include any privately owned
35 improvements located on publicly owned land subject to property
36 taxation as of the date the increment area became effective.

37 (b) The adjusted tax allocation base value under this subsection
38 (5) does not impact any apportionment and distribution under this
39 section occurring in calendar years before calendar year 2024.

1 NEW SECTION. **Sec. 6.** This act takes effect June 2, 2026.

--- **END** ---