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**SUBSTITUTE HOUSE BILL 2760**

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**State of Washington**

**53rd Legislature**

**1994 Regular Session**

**By** House Committee on Transportation (originally sponsored by Representatives R. Fisher, Zellinsky, Schmidt, Wood, Sheldon, R. Meyers, Jones, Sehlin and Kessler)

Read first time 02/04/94.

1 AN ACT Relating to authorizing sales and use tax equalization  
2 payments for transit systems; amending RCW 82.44.150; and adding a new  
3 section to chapter 82.14 RCW.

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

5 **Sec. 1.** RCW 82.44.150 and 1993 c 491 s 2 are each amended to read  
6 as follows:

7 (1) The director of licensing shall, on the twenty-fifth day of  
8 February, May, August, and November of each year, advise the state  
9 treasurer of the total amount of motor vehicle excise taxes imposed by  
10 RCW 82.44.020 (1) and (2) remitted to the department during the  
11 preceding calendar quarter ending on the last day of March, June,  
12 September, and December, respectively, except for those payable under  
13 RCW 82.44.030, from motor vehicle owners residing within each  
14 municipality which has levied a tax under RCW 35.58.273, which amount  
15 of excise taxes shall be determined by the director as follows:

16 The total amount of motor vehicle excise taxes remitted to the  
17 department, except those payable under RCW 82.44.020(3) and 82.44.030,  
18 from each county shall be multiplied by a fraction, the numerator of  
19 which is the population of the municipality residing in such county,

1 and the denominator of which is the total population of the county in  
2 which such municipality or portion thereof is located. The product of  
3 this computation shall be the amount of excise taxes from motor vehicle  
4 owners residing within such municipality or portion thereof. Where the  
5 municipality levying a tax under RCW 35.58.273 is located in more than  
6 one county, the above computation shall be made by county, and the  
7 combined products shall provide the total amount of motor vehicle  
8 excise taxes from motor vehicle owners residing in the municipality as  
9 a whole. Population figures required for these computations shall be  
10 supplied to the director by the office of financial management, who  
11 shall adjust the fraction annually.

12 (2) On the first day of the months of January, April, July, and  
13 October of each year, the state treasurer based upon information  
14 provided by the department shall, from motor vehicle excise taxes  
15 deposited in the general fund, under RCW 82.44.110(1)(g), make the  
16 following deposits:

17 (a) To the high capacity transportation account created in RCW  
18 47.78.010, a sum equal to four and five-tenths percent of the special  
19 excise tax levied under RCW 35.58.273 by those municipalities  
20 authorized to levy a special excise tax within (i) each county with a  
21 population of two hundred ten thousand or more and (ii) each county  
22 with a population of from one hundred twenty-five thousand to less than  
23 two hundred ten thousand except for those counties that do not border  
24 a county with a population as described in subsection (i) of this  
25 subsection;

26 (b) To the central Puget Sound public transportation account  
27 created in RCW 82.44.180, for revenues distributed after December 31,  
28 1992, within a county with a population of one million or more and a  
29 county with a population of from two hundred thousand to less than one  
30 million bordering a county with a population of one million or more, a  
31 sum equal to the difference between (i) the special excise tax levied  
32 and collected under RCW 35.58.273 by those municipalities authorized to  
33 levy and collect a special excise tax subject to the requirements of  
34 subsections (3) and (4) of this section and (ii) the special excise tax  
35 that the municipality would otherwise have been eligible to levy and  
36 collect at a tax rate of .815 percent and been able to match with  
37 locally generated tax revenues, other than the excise tax imposed under  
38 RCW 35.58.273, budgeted for any public transportation purpose. Before  
39 this deposit, the sum shall be reduced by an amount equal to the amount

1 distributed under (a) of this subsection for each of the municipalities  
2 within the counties to which this subsection (2)(b) applies; however,  
3 any transfer under this subsection (2)(b) must be greater than zero;

4 (c) To the public transportation systems account created in RCW  
5 82.44.180, for revenues distributed after December 31, 1992, within  
6 counties not described in (b) of this subsection, a sum equal to the  
7 difference between (i) the special excise tax levied and collected  
8 under RCW 35.58.273 by those municipalities authorized to levy and  
9 collect a special excise tax subject to the requirements of subsections  
10 (3) and (4) of this section and (ii) the special excise tax that the  
11 municipality would otherwise have been eligible to levy and collect at  
12 a tax rate of .815 percent and been able to match with locally  
13 generated tax revenues, other than the excise tax imposed under RCW  
14 35.58.273, budgeted for any public transportation purpose. Before this  
15 deposit, the sum shall be reduced by an amount equal to the amount  
16 distributed under (a) of this subsection for each of the municipalities  
17 within the counties to which this subsection (2)(c) applies; however,  
18 any transfer under this subsection (2)(c) must be greater than zero;  
19 and

20 (d) To the general fund, for revenues distributed after June 30,  
21 1993, and to the transportation fund, for revenues distributed after  
22 June 30, 1995, a sum equal to the difference between (i) the special  
23 excise tax levied and collected under RCW 35.58.273 by those  
24 municipalities authorized to levy and collect a special excise tax  
25 subject to the requirements of subsections (3) and (4) of this section  
26 and (ii) the special excise tax that the municipality would otherwise  
27 have been eligible to levy and collect at a tax rate of .815 percent  
28 notwithstanding the requirements set forth in subsections (3) through  
29 (6) of this section, reduced by an amount equal to distributions made  
30 under (a), (b), and (c) of this subsection and section 2 of this act.

31 (3) On the first day of the months of January, April, July, and  
32 October of each year, the state treasurer, based upon information  
33 provided by the department, shall remit motor vehicle excise tax  
34 revenues imposed and collected under RCW 35.58.273 as follows:

35 (a) The amount required to be remitted by the state treasurer to  
36 the treasurer of any municipality levying the tax shall not exceed in  
37 any calendar year the amount of locally-generated tax revenues,  
38 excluding (i) the excise tax imposed under RCW 35.58.273 for the  
39 purposes of this section, which shall have been budgeted by the

1 municipality to be collected in such calendar year for any public  
2 transportation purposes including but not limited to operating costs,  
3 capital costs, and debt service on general obligation or revenue bonds  
4 issued for these purposes; and (ii) the sales and use tax equalization  
5 distributions provided under section 2 of this act; and

6 (b) In no event may the amount remitted in a single calendar  
7 quarter exceed the amount collected on behalf of the municipality under  
8 RCW 35.58.273 during the calendar quarter next preceding the  
9 immediately preceding quarter, excluding the sales and use tax  
10 equalization distributions provided under section 2 of this act.

11 (4) At the close of each calendar year accounting period, but not  
12 later than April 1, each municipality that has received motor vehicle  
13 excise taxes under subsection (3) of this section shall transmit to the  
14 director of licensing and the state auditor a written report showing by  
15 source the previous year's budgeted tax revenues for public  
16 transportation purposes as compared to actual collections. Any  
17 municipality that has not submitted the report by April 1 shall cease  
18 to be eligible to receive motor vehicle excise taxes under subsection  
19 (3) of this section until the report is received by the director of  
20 licensing. If a municipality has received more or less money under  
21 subsection (3) of this section for the period covered by the report  
22 than it is entitled to receive by reason of its locally-generated  
23 collected tax revenues, the director of licensing shall, during the  
24 next ensuing quarter that the municipality is eligible to receive motor  
25 vehicle excise tax funds, increase or decrease the amount to be  
26 remitted in an amount equal to the difference between the locally-  
27 generated budgeted tax revenues and the locally-generated collected tax  
28 revenues. In no event may the amount remitted for a calendar year  
29 exceed the amount collected on behalf of the municipality under RCW  
30 35.58.273 during that same calendar year excluding the sales and use  
31 tax equalization distributions provided under section 2 of this act.  
32 At the time of the next fiscal audit of each municipality, the state  
33 auditor shall verify the accuracy of the report submitted and notify  
34 the director of licensing of any discrepancies.

35 (5) The motor vehicle excise taxes imposed under RCW 35.58.273 and  
36 required to be remitted under this section and section 2 of this act  
37 shall be remitted without legislative appropriation.

38 (6) Any municipality levying and collecting a tax under RCW  
39 35.58.273 which does not have an operating, public transit system or a

1 contract for public transportation services in effect within one year  
2 from the initial effective date of the tax shall return to the state  
3 treasurer all motor vehicle excise taxes received under subsection (3)  
4 of this section.

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

7 Beginning with distributions made to municipalities under RCW  
8 82.44.150 on January 1, 1996, municipalities as defined in RCW  
9 35.58.272 imposing the sales and use tax under RCW 82.14.045 shall be  
10 eligible for equalization payments from motor vehicle excise taxes  
11 distributed under RCW 82.44.150 as follows:

12 (1) Prior to January 1st of each year the department of revenue  
13 shall determine the total and the per capita levels of revenues for  
14 each municipality and the state-wide weighted average per capita level  
15 of revenues for all municipalities imposing the sales and use tax  
16 authorized under RCW 82.14.045 for the previous calendar year  
17 calculated for a tax rate of one-tenth percent.

18 (2) For each tenth of one percent of sales and use tax imposed  
19 under RCW 82.14.045, the state treasurer shall apportion to each  
20 municipality receiving less than eighty percent of the state-wide  
21 weighted average per capita level of revenues for all municipalities as  
22 determined by the department of revenue under subsection (1) of this  
23 section, an amount when added to the per capita level of revenues  
24 received the previous calendar year by the municipality, to equal  
25 eighty percent of the state-wide weighted average per capita level of  
26 revenues for all municipalities determined under subsection (1) of this  
27 section.

28 (3) For a municipality established after January 1, 1995, sales and  
29 use tax equalization distributions shall be made according to the  
30 procedures in this subsection. Sales and use tax equalization  
31 distributions to eligible new municipalities shall be made at the same  
32 time as distributions are made under subsection (2) of this section.  
33 The department of revenue shall follow the estimating procedures  
34 outlined in this subsection until the new municipality has received a  
35 full year's worth of revenues under RCW 82.14.045 as of the January  
36 sales and use tax equalization distribution.

37 (a) Whether a newly established municipality determined to receive  
38 funds under this subsection receives its first equalization payment at

1 the January, April, July, or October sales and use tax equalization  
2 distribution shall depend on the date the system first imposes the tax  
3 authorized under RCW 82.14.045.

4 (i) A newly established municipality imposing the tax authorized  
5 under RCW 82.14.045 taking effect during the first calendar quarter  
6 shall be eligible to receive funds under this subsection beginning with  
7 the July municipal sales and use tax equalization distribution of that  
8 year.

9 (ii) A newly established municipality imposing the tax authorized  
10 under RCW 82.14.045 taking effect during the second calendar quarter  
11 shall be eligible to receive funds under this subsection beginning with  
12 the October sales and use tax equalization distribution of that year.

13 (iii) A newly established municipality imposing the tax authorized  
14 under RCW 82.14.045 taking effect during the third calendar quarter  
15 shall be eligible to receive funds under this subsection beginning with  
16 the January sales and use tax equalization distribution of the next  
17 year.

18 (iv) A newly established municipality imposing the tax authorized  
19 under RCW 82.14.045 taking effect during the fourth calendar quarter  
20 shall be eligible to receive funds under this subsection beginning with  
21 the April sales and use tax equalization distribution of the next year.

22 (b) For purposes of calculating the amount of funds the new  
23 municipality should receive under this subsection, the department of  
24 revenue shall:

25 (i) Estimate the per capita amount of revenues from the tax  
26 authorized under RCW 82.14.045 that the new municipality would have  
27 received had the municipality received revenues from the tax the entire  
28 calendar year;

29 (ii) Calculate the amount provided under subsection (2) of this  
30 section based on the per capita revenues determined under (b)(i) of  
31 this subsection;

32 (iii) Prorate the amount determined under (b)(ii) of this  
33 subsection by the number of months the tax authorized under RCW  
34 82.14.045 is imposed.

35 (c) The department of revenue shall advise the state treasurer of  
36 the amounts calculated under (b) of this subsection and the state  
37 treasurer shall distribute these amounts to the new municipality from  
38 the motor vehicle excise tax distributed under RCW 82.44.150(2)(d).

1 (d) Revenues estimated under this subsection shall not affect the  
2 calculation of the state-wide weighted average per capita level of  
3 revenues for all municipalities made under subsection (1) of this  
4 section.

5 (4) For an existing municipality imposing the sales and use tax  
6 authorized under RCW 82.14.045 to take effect after January 1, 1995,  
7 sales and use tax equalization payments shall be made according to the  
8 procedures for newly established municipalities in subsection (3) of  
9 the section.

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