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HOUSE BILL 1607

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State of Washington

56th Legislature

1999 Regular Session

By Representative Doumit

Read first time 02/01/1999. Referred to Committee on Local Government.

1 AN ACT Relating to sales and use tax equalization payments for  
2 proposed incorporations; amending RCW 35.02.015, 35.02.017, and  
3 82.14.210; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** It is not in the interest of the citizens of  
6 the state of Washington or the residents of a proposed incorporation  
7 area if cities that are not self-supporting are created. The citizens  
8 of the state must subsidize the operation of the proposed city through  
9 sales tax equalization assistance. Furthermore, residents of the area  
10 where such an incorporation is proposed may not receive the range of  
11 services or the levels of service normally associated with cities.

12 **Sec. 2.** RCW 35.02.015 and 1994 c 216 s 1 are each amended to read  
13 as follows:

14 Any person proposing the incorporation of a city or town shall file  
15 a notice of the proposed incorporation with the county legislative  
16 authority of the county in which all or the major portion of the  
17 proposed city or town is located. The notice shall include the matters  
18 required to be included in the incorporation petition under RCW

1 35.02.030 and be accompanied by both a one hundred dollar filing fee  
2 and an affidavit from the person stating that he or she is a registered  
3 voter residing in the proposed city or town. The county legislative  
4 authority shall immediately forward a copy of the proposed  
5 incorporation notice to the state department of revenue for the  
6 determination required in RCW 82.14.210.

7 The county legislative authority shall also promptly notify the  
8 boundary review board of the proposed incorporation, which shall hold  
9 a public meeting on the proposed incorporation within (~~thirty~~) sixty  
10 days of the notice being filed where persons favoring and opposing the  
11 proposed incorporation may state their views. If a boundary review  
12 board does not exist in the county, the county legislative authority  
13 shall provide the public meeting. The public meeting shall be held at  
14 a location in or near the proposed city or town. Notice of the public  
15 meeting shall be published in a newspaper of general circulation in the  
16 area proposed to be incorporated at least once ten days prior to the  
17 public meeting.

18 **Sec. 3.** RCW 35.02.017 and 1994 c 216 s 2 are each amended to read  
19 as follows:

20 Within one working day after the public meeting under RCW  
21 35.02.015, the county auditor shall provide an identification number  
22 for the incorporation effort to the person who made the notice of  
23 proposing the incorporation only if the department of revenue has  
24 determined that the proposed city will not qualify for sales and use  
25 tax equalization payments in RCW 82.14.210(8). The identification  
26 number shall be included on the petition proposing the incorporation.  
27 A petition may not proceed without this number.

28 The petition proposing the incorporation may retain the proposed  
29 boundaries and other matters as described in the notice, or may alter  
30 the proposed boundaries and other matters.

31 **Sec. 4.** RCW 82.14.210 and 1996 c 64 s 1 are each amended to read  
32 as follows:

33 There is created in the state treasury a special account to be  
34 known as the "municipal sales and use tax equalization account." Into  
35 this account shall be placed such revenues as are provided under RCW  
36 82.44.110(1)(e). Funds in this account shall be allocated by the state  
37 treasurer according to the following procedure:

1 (1) Prior to January 1st of each year the department of revenue  
2 shall determine the total and the per capita levels of revenues for  
3 each city and the state-wide weighted average per capita level of  
4 revenues for all cities imposing the sales and use tax authorized under  
5 RCW 82.14.030(1) for the previous calendar year.

6 (2) At such times as distributions are made under RCW 82.44.150,  
7 the state treasurer shall apportion to each city not imposing the sales  
8 and use tax under RCW 82.14.030(2) an amount from the municipal sales  
9 and use tax equalization account equal to the amount distributed to the  
10 city under RCW 82.44.155, multiplied by forty-five fifty-fifths.

11 (3) Subsequent to the distributions under subsection (2) of this  
12 section, and at such times as distributions are made under RCW  
13 82.44.150, the state treasurer shall apportion to each city imposing  
14 the sales and use tax under RCW 82.14.030(1) at the maximum rate and  
15 receiving less than seventy percent of the state-wide weighted average  
16 per capita level of revenues for all cities as determined by the  
17 department of revenue under subsection (1) of this section, an amount  
18 from the municipal sales and use tax equalization account sufficient,  
19 when added to the per capita level of revenues received the previous  
20 calendar year by the city, to equal seventy percent of the state-wide  
21 weighted average per capita level of revenues for all cities determined  
22 under subsection (1) of this section, subject to reduction under  
23 subsection (6) of this section.

24 (4) Subsequent to the distributions under subsection (3) of this  
25 section, and at such times as distributions are made under RCW  
26 82.44.150, the state treasurer shall apportion to each city imposing  
27 the sales and use tax under RCW 82.14.030(2) at the maximum rate and  
28 receiving a distribution under subsection (3) of this section, a third  
29 distribution from the municipal sales and use tax equalization account.  
30 The distribution to each qualifying city shall be equal to the  
31 distribution to the city under subsection (3) of this section, subject  
32 to the reduction under subsection (6) of this section. To qualify for  
33 the distributions under this subsection, the city must impose the tax  
34 under RCW 82.14.030(2) for the entire calendar year. Cities imposing  
35 the tax for less than the full year shall qualify for prorated  
36 allocations under this subsection proportionate to the number of months  
37 of the year during which the tax is imposed.

38 (5) For a city with an official incorporation date after January 1,  
39 1990, municipal sales and use tax equalization distributions shall be

1 made according to the procedures in this subsection. Municipal sales  
2 and use tax equalization distributions to eligible new cities shall be  
3 made at the same time as distributions are made under subsections (3)  
4 and (4) of this section. The department of revenue shall follow the  
5 estimating procedures outlined in this subsection until the new city  
6 has received a full year's worth of revenues under RCW 82.14.030(1) as  
7 of the January municipal sales and use tax equalization distribution.

8 (a) Whether a newly incorporated city determined to receive funds  
9 under this subsection receives its first equalization payment at the  
10 January, April, July, or October municipal sales and use tax  
11 equalization distribution shall depend on the date the city first  
12 imposes the tax authorized under RCW 82.14.030(1).

13 (i) A newly incorporated city imposing the tax authorized under RCW  
14 82.14.030(1) effective as of January 1st shall be eligible to receive  
15 funds under this subsection beginning with the April municipal sales  
16 and use tax equalization distribution of that year.

17 (ii) A newly incorporated city imposing the tax authorized under  
18 RCW 82.14.030(1) effective as of February 1st, March 1st, or April 1st  
19 shall be eligible to receive funds under this subsection beginning with  
20 the July municipal sales and use tax equalization distribution of that  
21 year.

22 (iii) A newly incorporated city imposing the tax authorized under  
23 RCW 82.14.030(1) effective as of May 1st, June 1st, or July 1st shall  
24 be eligible to receive funds under this subsection beginning with the  
25 October municipal sales and use tax equalization distribution of that  
26 year.

27 (iv) A newly incorporated city imposing the tax authorized under  
28 RCW 82.14.030(1) effective as of August 1st, September 1st, or October  
29 1st shall be eligible to receive funds under this subsection beginning  
30 with the January municipal sales and use tax equalization distribution  
31 of the next year.

32 (v) A newly incorporated city imposing the tax authorized under RCW  
33 82.14.030(1) effective as of November 1st or December 1st shall be  
34 eligible to receive funds under this subsection beginning with the  
35 April municipal sales and use tax equalization distribution of the next  
36 year.

37 (b) For purposes of calculating the amount of funds the new city  
38 should receive under this subsection, the department of revenue shall:

1 (i) Estimate the per capita amount of revenues from the tax  
2 authorized under RCW 82.14.030(1) that the new city would have received  
3 had the city received revenues from the tax the entire calendar year;  
4 (ii) Calculate the amount provided under subsection (3) of this  
5 section based on the per capita revenues determined under (b)(i) of  
6 this subsection;  
7 (iii) Prorate the amount determined under (b)(ii) of this  
8 subsection by the number of months the tax authorized under RCW  
9 82.14.030(1) is imposed.

10 (c) A new city imposing the tax under RCW 82.14.030(2) at the  
11 maximum rate and receiving a distribution calculated under (b) of this  
12 subsection shall receive another distribution from the municipal sales  
13 and use tax equalization account. This distribution shall be equal to  
14 the calculation made under (b)(ii) of this subsection, prorated by the  
15 number of months the city imposes the tax authorized under RCW  
16 82.14.030(2) at the full rate.

17 (d) The department of revenue shall advise the state treasurer of  
18 the amounts calculated under (b) and (c) of this subsection and the  
19 state treasurer shall distribute these amounts to the new city from the  
20 municipal sales and use tax equalization account subject to the  
21 limitations imposed in subsection (6) of this section.

22 (e) Revenues estimated under this subsection shall not affect the  
23 calculation of the state-wide weighted average per capita level of  
24 revenues for all cities made under subsection (1) of this section.

25 (6) If inadequate revenues exist in the municipal sales and use tax  
26 equalization account to make the distributions under subsection (3),  
27 (4), or (5) of this section, then the distributions under subsections  
28 (3), (4), and (5) of this section shall be reduced ratably among the  
29 qualifying cities. At such time during the year as additional funds  
30 accrue to the municipal sales and use tax equalization account,  
31 additional distributions shall be made under subsections (3), (4), and  
32 (5) of this section to the cities.

33 (7) If the level of revenues in the municipal sales and use tax  
34 equalization account exceeds the amount necessary to make the  
35 distributions under subsections (2) through (5) of this section, then  
36 the additional revenues shall be apportioned among the several cities  
37 within the state ratably on the basis of population as last determined  
38 by the office of financial management: PROVIDED, That no such

1 distribution shall be made to those cities receiving a distribution  
2 under subsection (2) of this section.

3 (8) If the department receives notice of a proposed incorporation  
4 under RCW 35.02.015 it shall make a determination as to whether the  
5 proposed city would qualify for municipal sales and use tax  
6 equalization under subsection (3) of this section by analyzing the  
7 total revenue and per capita revenue for the unincorporated area  
8 described in the petition for incorporation. The department shall  
9 forward its determination to the county legislative authority within  
10 forty-five days of the date the notice of incorporation was filed with  
11 the county legislative authority.

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