
SENATE BILL 6708

State of Washington

56th Legislature

2000 Regular Session

By Senators Horn, Rossi, Morton, Hochstatter, Swecker, Stevens, Sheahan and Benton

Read first time 01/24/2000. Referred to Committee on Ways & Means.

1 AN ACT Relating to sales and use tax equalization; amending RCW
2 82.14.030, 82.14.050, 82.14.060, 82.14.200, and 82.14.210; providing an
3 effective date; and declaring an emergency.

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

5 **Sec. 1.** RCW 82.14.030 and 1989 c 384 s 6 are each amended to read
6 as follows:

7 (1) The governing body of any county or city while not required by
8 legislative mandate to do so, may, by resolution or ordinance for the
9 purposes authorized by this chapter, fix and impose a sales and use tax
10 in accordance with the terms of this chapter. Such tax shall be
11 collected from those persons who are taxable by the state pursuant to
12 chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event
13 within the county or city as the case may be: PROVIDED, That except as
14 provided in RCW 82.14.230, this sales and use tax shall not apply to
15 natural or manufactured gas. The rate of such tax imposed by a county
16 shall be five-tenths of one percent of the selling price (in the case
17 of a sales tax) or value of the article used (in the case of a use
18 tax). The rate of such tax imposed by a city shall not exceed five-
19 tenths of one percent of the selling price (in the case of a sales tax)

1 or value of the article used (in the case of a use tax): PROVIDED,
2 HOWEVER, That in the event a county shall impose a sales and use tax
3 under this subsection, the rate of such tax imposed under this
4 subsection by any city therein shall not exceed four hundred and
5 twenty-five one-thousandths of one percent. No city may impose a tax
6 under this section unless the city agrees to contribute ten percent of
7 the tax collected under this subsection to the municipal sales and use
8 tax equalization account under RCW 82.14.210. No county may impose a
9 tax under this section unless the county agrees to contribute eight
10 percent of the tax collected under this subsection to the county sales
11 and use tax equalization account under RCW 82.14.200. Continuing to
12 collect a tax under this subsection after the effective date of this
13 section constitutes agreement.

14 (2) (~~Subject to the enactment into law of the 1982 amendment to~~
15 ~~RCW 82.02.020 by section 5, chapter 49, Laws of 1982 1st ex. sess.,~~)
16 In addition to the tax authorized in subsection (1) of this section,
17 the governing body of any county or city may by resolution or ordinance
18 impose an additional sales and use tax in accordance with the terms of
19 this chapter. Such additional tax shall be collected upon the same
20 taxable events upon which the tax imposed under subsection (1) of this
21 section is levied. The rate of such additional tax imposed by a county
22 shall be up to five-tenths of one percent of the selling price (in the
23 case of a sales tax) or value of the article used (in the case of a use
24 tax). The rate of such additional tax imposed by a city shall be up to
25 five-tenths of one percent of the selling price (in the case of a sales
26 tax) or value of the article used (in the case of a use tax): PROVIDED
27 HOWEVER, That in the event a county shall impose a sales and use tax
28 under this subsection at a rate equal to or greater than the rate
29 imposed under this subsection by a city within the county, the county
30 shall receive fifteen percent of the city tax: PROVIDED FURTHER, That
31 in the event that the county shall impose a sales and use tax under
32 this subsection at a rate which is less than the rate imposed under
33 this subsection by a city within the county, the county shall receive
34 that amount of revenues from the city tax equal to fifteen percent of
35 the rate of tax imposed by the county under this subsection. The
36 authority to impose a tax under this subsection is intended in part to
37 compensate local government for any losses from the phase-out of the
38 property tax on business inventories.

1 **Sec. 2.** RCW 82.14.050 and 1999 c 165 s 14 are each amended to read
2 as follows:

3 The counties, cities, and transportation authorities under RCW
4 82.14.045 and public facilities districts under chapter 36.100 and
5 35.57 RCW shall contract, prior to the effective date of a resolution
6 or ordinance imposing a sales and use tax, the administration and
7 collection to the state department of revenue, which shall deduct a
8 percentage amount, as provided by contract, not to exceed two percent
9 of the taxes collected for administration and collection expenses
10 incurred by the department. Of the remaining portion of any tax
11 collected on behalf of cities under RCW 82.14.030(1), ten percent shall
12 be deposited by the department of revenue into the municipal sales and
13 use tax equalization account under RCW 82.14.210. Of the remaining
14 portion of any tax collected on behalf of counties under RCW
15 82.14.030(1), eight percent shall be deposited by the department of
16 revenue into the county sales and use tax equalization account under
17 RCW 82.14.200. The remainder of any portion of any tax authorized by
18 this chapter which is collected by the department of revenue shall be
19 deposited by the state department of revenue in the local sales and use
20 tax account hereby created in the state treasury. Moneys in the local
21 sales and use tax account may be spent only for distribution to
22 counties, cities, transportation authorities, and public facilities
23 districts imposing a sales and use tax. All administrative provisions
24 in chapters 82.03, 82.08, 82.12, and 82.32 RCW, as they now exist or
25 may hereafter be amended, shall, insofar as they are applicable to
26 state sales and use taxes, be applicable to taxes imposed pursuant to
27 this chapter. Except as provided in RCW 43.08.190, all earnings of
28 investments of balances in the local sales and use tax account shall be
29 credited to the local sales and use tax account and distributed to the
30 counties, cities, transportation authorities, and public facilities
31 districts monthly.

32 **Sec. 3.** RCW 82.14.060 and 1991 c 207 s 3 are each amended to read
33 as follows:

34 Monthly the state treasurer shall make distribution from the local
35 sales and use tax account to the counties, cities, transportation
36 authorities, and public facilities districts the amount of tax
37 collected on behalf of each taxing authority, less the deductions

1 provided for in RCW 82.14.050. The state treasurer shall make the
2 distribution under this section without appropriation.

3 In the event that any ordinance or resolution imposes a sales and
4 use tax at a rate in excess of the applicable limits contained herein,
5 such ordinance or resolution shall not be considered void in toto, but
6 only with respect to that portion of the rate which is in excess of the
7 applicable limits contained herein.

8 **Sec. 4.** RCW 82.14.200 and 1998 c 321 s 8 (Referendum Bill No. 49)
9 are each amended to read as follows:

10 There is created in the state treasury a special account to be
11 known as the "county sales and use tax equalization account." (~~Into~~
12 ~~this account shall be placed a portion of all motor vehicle excise tax~~
13 ~~receipts as provided in RCW 82.44.110.)) In calendar year 2000, the
14 state treasurer shall transfer into the county sales and use tax
15 equalization account from the general fund the sum of four million nine
16 hundred thousand dollars divided into two equal deposits occurring on
17 the first day of the months of July and October. In calendar year
18 2001, the state treasurer shall transfer into the county sales and use
19 tax equalization account from the general fund the sum of eight million
20 one hundred thousand dollars divided into four equal deposits occurring
21 on the first day of the months of January, April, July, and October.
22 For each calendar year thereafter, the state treasurer shall increase
23 the total transfer by the fiscal growth factor, as defined in RCW
24 43.135.025, forecast for that fiscal year by the office of financial
25 management in November of the preceding year. Funds in this account
26 shall be allocated by the state treasurer according to the following
27 procedure:~~

28 (1) Prior to April 1st of each year the director of revenue shall
29 inform the state treasurer of the total and the per capita levels of
30 revenues for the unincorporated area of each county and the state-wide
31 weighted average per capita level of revenues for the unincorporated
32 areas of all counties imposing the sales and use tax authorized under
33 RCW 82.14.030(1) for the previous calendar year.

34 (2) (~~At such times as distributions are made under RCW 82.44.150~~)
35 On the first day of the months of January, April, July, and October of
36 each year, the state treasurer shall apportion to each county imposing
37 the sales and use tax under RCW 82.14.030(1) at the maximum rate and
38 receiving less than one hundred fifty thousand dollars from the tax for

1 the previous calendar year, an amount from the county sales and use tax
2 equalization account sufficient, when added to the amount of revenues
3 received the previous calendar year by the county, to equal one hundred
4 fifty thousand dollars.

5 The department of revenue shall establish a governmental price
6 index as provided in this subsection. The base year for the index
7 shall be the end of the third quarter of 1982. Prior to November 1,
8 1983, and prior to each November 1st thereafter, the department of
9 revenue shall establish another index figure for the third quarter of
10 that year. The department of revenue may use the implicit price
11 deflators for state and local government purchases of goods and
12 services calculated by the United States department of commerce to
13 establish the governmental price index. Beginning on January 1, 1984,
14 and each January 1st thereafter, the one hundred fifty thousand dollar
15 base figure in this subsection shall be adjusted in direct proportion
16 to the percentage change in the governmental price index from 1982
17 until the year before the adjustment. Distributions made under this
18 subsection for 1984 and thereafter shall use this adjusted base amount
19 figure.

20 (3) Subsequent to the distributions under subsection (2) of this
21 section and at such times as distributions are made under ((RCW
22 ~~82.44.150~~) subsection (2) of this section, the state treasurer shall
23 apportion to each county imposing the sales and use tax under RCW
24 82.14.030(1) at the maximum rate and receiving less than seventy
25 percent of the state-wide weighted average per capita level of revenues
26 for the unincorporated areas of all counties as determined by the
27 department of revenue under subsection (1) of this section, an amount
28 from the county sales and use tax equalization account sufficient, when
29 added to the per capita level of revenues for the unincorporated area
30 received the previous calendar year by the county, to equal seventy
31 percent of the state-wide weighted average per capita level of revenues
32 for the unincorporated areas of all counties determined under
33 subsection (1) of this section, subject to reduction under subsections
34 (6) and (7) of this section. When computing distributions under this
35 section, any distribution under subsection (2) of this section shall be
36 considered revenues received from the tax imposed under RCW
37 82.14.030(1) for the previous calendar year.

38 (4) Subsequent to the distributions under subsection (3) of this
39 section and at such times as distributions are made under ((RCW

1 ~~82.44.150~~) subsection (2) of this section, the state treasurer shall
2 apportion to each county imposing the sales and use tax under RCW
3 82.14.030(2) at the maximum rate and receiving a distribution under
4 subsection (2) of this section, a third distribution from the county
5 sales and use tax equalization account. The distribution to each
6 qualifying county shall be equal to the distribution to the county
7 under subsection (2) of this section, subject to the reduction under
8 subsections (6) and (7) of this section. To qualify for the total
9 distribution under this subsection, the county must impose the tax
10 under RCW 82.14.030(2) for the entire calendar year. Counties imposing
11 the tax for less than the full year shall qualify for prorated
12 allocations under this subsection proportionate to the number of months
13 of the year during which the tax is imposed.

14 (5) Subsequent to the distributions under subsection (4) of this
15 section and at such times as distributions are made under ((RCW
16 ~~82.44.150~~) subsection (2) of this section, the state treasurer shall
17 apportion to each county imposing the sales and use tax under RCW
18 82.14.030(2) at the maximum rate and receiving a distribution under
19 subsection (3) of this section, a fourth distribution from the county
20 sales and use tax equalization account. The distribution to each
21 qualifying county shall be equal to the distribution to the county
22 under subsection (3) of this section, subject to the reduction under
23 subsections (6) and (7) of this section. To qualify for the
24 distributions under this subsection, the county must impose the tax
25 under RCW 82.14.030(2) for the entire calendar year. Counties imposing
26 the tax for less than the full year shall qualify for prorated
27 allocations under this subsection proportionate to the number of months
28 of the year during which the tax is imposed.

29 (6) Revenues distributed under subsections (2) through (5) of this
30 section in any calendar year shall not exceed an amount equal to
31 seventy percent of the state-wide weighted average per capita level of
32 revenues for the unincorporated areas of all counties during the
33 previous calendar year. If distributions under subsections (3) through
34 (5) of this section cannot be made because of this limitation, then
35 distributions under subsections (3) through (5) of this section shall
36 be reduced ratably among the qualifying counties.

37 (7) If inadequate revenues exist in the county sales and use tax
38 equalization account to make the distributions under subsections (3)
39 through (5) of this section, then the distributions under subsections

1 (3) through (5) of this section shall be reduced ratably among the
2 qualifying counties. At such time during the year as additional funds
3 accrue to the county sales and use tax equalization account, additional
4 distributions shall be made under subsections (3) through (5) of this
5 section to the counties.

6 (8) If the level of revenues in the county sales and use tax
7 equalization account exceeds the amount necessary to make the
8 distributions under subsections (2) through (5) of this section, at
9 such times as distributions are made under (~~RCW 82.44.150~~) subsection
10 (2) of this section, the state treasurer shall apportion an amount to
11 the county public health account created in RCW 70.05.125 equal to the
12 adjustment under RCW 70.05.125(2)(b).

13 (9) If the level of revenues in the county sales and use tax
14 equalization account exceeds the amount necessary to make the
15 distributions under subsections (2) through (5) and (8) of this
16 section, then the additional revenues shall be credited and transferred
17 as follows:

18 (a) Fifty percent to the public facilities construction loan
19 revolving account under RCW 43.160.080; and

20 (b) Fifty percent to the distressed county public facilities
21 construction loan account under RCW 43.160.220, or so much thereof as
22 will not cause the balance in the account to exceed twenty-five million
23 dollars. Any remaining funds shall be deposited into the public
24 facilities construction loan revolving account.

25 **Sec. 5.** RCW 82.14.210 and 1996 c 64 s 1 are each amended to read
26 as follows:

27 There is created in the state treasury a special account to be
28 known as the "municipal sales and use tax equalization account."
29 (~~Into this account shall be placed such revenues as are provided under~~
30 ~~RCW 82.44.110(1)(e).~~) In calendar year 2000, the state treasurer shall
31 transfer into the municipal sales and use tax equalization account from
32 the general fund the sum of fifteen million seven hundred thousand
33 dollars divided into two equal deposits occurring on the first day of
34 the months of July and October. In calendar year 2001, the state
35 treasurer shall transfer into the municipal sales and use tax
36 equalization account from the general fund the sum of twenty-two
37 million two hundred thousand dollars divided into four equal deposits
38 occurring on the first day of the months of January, April, July, and

1 October. For each calendar year thereafter, the state treasurer shall
2 increase the total transfer by the fiscal growth factor, as defined in
3 RCW 43.135.025, forecast for that fiscal year by the office of
4 financial management in November of the preceding year. Funds in this
5 account shall be allocated by the state treasurer according to the
6 following procedure:

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

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

17 ~~(3) Subsequent to the distributions under subsection (2) of this~~
18 ~~section, and at such times as distributions are made under RCW~~
19 ~~82.44.150)) On the first day of the months of January, April, July, and~~
20 ~~October of each year, the state treasurer shall apportion to each city~~
21 ~~imposing the sales and use tax under RCW 82.14.030(1) at the maximum~~
22 ~~rate and receiving less than seventy percent of the state-wide weighted~~
23 ~~average per capita level of revenues for all cities as determined by~~
24 ~~the department of revenue under subsection (1) of this section, an~~
25 ~~amount from the municipal sales and use tax equalization account~~
26 ~~sufficient, when added to the per capita level of revenues received the~~
27 ~~previous calendar year by the city, to equal seventy percent of the~~
28 ~~state-wide weighted average per capita level of revenues for all cities~~
29 ~~determined under subsection (1) of this section, subject to reduction~~
30 ~~under subsection ((+6)) (5) of this section.~~

31 ~~((+4)) (3) Subsequent to the distributions under subsection~~
32 ~~((+3)) (2) of this section, and at such times as distributions are~~
33 ~~made under ((RCW 82.44.150)) subsection (2) of this section, the state~~
34 ~~treasurer shall apportion to each city imposing the sales and use tax~~
35 ~~under RCW 82.14.030(2) at the maximum rate and receiving a distribution~~
36 ~~under subsection ((+3)) (2) of this section, a ((third)) second~~
37 ~~distribution from the municipal sales and use tax equalization account.~~
38 ~~The distribution to each qualifying city shall be equal to the~~
39 ~~distribution to the city under subsection ((+3)) (2) of this section,~~

1 subject to the reduction under subsection (~~(6)~~) (5) of this section.
2 To qualify for the distributions under this subsection, the city must
3 impose the tax under RCW 82.14.030(2) for the entire calendar year.
4 Cities imposing the tax for less than the full year shall qualify for
5 prorated allocations under this subsection proportionate to the number
6 of months of the year during which the tax is imposed.

7 (~~(5)~~) (4) For a city with an official incorporation date after
8 January 1, 1990, municipal sales and use tax equalization distributions
9 shall be made according to the procedures in this subsection.
10 Municipal sales and use tax equalization distributions to eligible new
11 cities shall be made at the same time as distributions are made under
12 subsections (2) and (3) (~~and (4)~~) of this section. The department of
13 revenue shall follow the estimating procedures outlined in this
14 subsection until the new city has received a full year's worth of
15 revenues under RCW 82.14.030(1) as of the January municipal sales and
16 use tax equalization distribution.

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

22 (i) A newly incorporated city imposing the tax authorized under RCW
23 82.14.030(1) effective as of January 1st shall be eligible to receive
24 funds under this subsection beginning with the April municipal sales
25 and use tax equalization distribution of that year.

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

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

36 (iv) A newly incorporated city imposing the tax authorized under
37 RCW 82.14.030(1) effective as of August 1st, September 1st, or October
38 1st shall be eligible to receive funds under this subsection beginning

1 with the January municipal sales and use tax equalization distribution
2 of the next year.

3 (v) A newly incorporated city imposing the tax authorized under RCW
4 82.14.030(1) effective as of November 1st or December 1st shall be
5 eligible to receive funds under this subsection beginning with the
6 April municipal sales and use tax equalization distribution of the next
7 year.

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

10 (i) Estimate the per capita amount of revenues from the tax
11 authorized under RCW 82.14.030(1) that the new city would have received
12 had the city received revenues from the tax the entire calendar year;

13 (ii) Calculate the amount provided under subsection ~~((+3))~~ (2) of
14 this section based on the per capita revenues determined under (b)(i)
15 of this subsection;

16 (iii) Prorate the amount determined under (b)(ii) of this
17 subsection by the number of months the tax authorized under RCW
18 82.14.030(1) is imposed.

19 (c) A new city imposing the tax under RCW 82.14.030(2) at the
20 maximum rate and receiving a distribution calculated under (b) of this
21 subsection shall receive another distribution from the municipal sales
22 and use tax equalization account. This distribution shall be equal to
23 the calculation made under (b)(ii) of this subsection, prorated by the
24 number of months the city imposes the tax authorized under RCW
25 82.14.030(2) at the full rate.

26 (d) The department of revenue shall advise the state treasurer of
27 the amounts calculated under (b) and (c) of this subsection and the
28 state treasurer shall distribute these amounts to the new city from the
29 municipal sales and use tax equalization account subject to the
30 limitations imposed in subsection ~~((+6))~~ (5) of this section.

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

34 ~~((+6))~~ (5) If inadequate revenues exist in the municipal sales and
35 use tax equalization account to make the distributions under subsection
36 (2), (3), or (4) ~~((, or (5)))~~ of this section, then the distributions
37 under subsections (2), (3), and (4) ~~((, and (5)))~~ of this section shall
38 be reduced ratably among the qualifying cities. At such time during
39 the year as additional funds accrue to the municipal sales and use tax

1 equalization account, additional distributions shall be made under
2 subsections (2), (3), and (4)~~((, and (5))~~) of this section to the
3 cities.

4 ~~((+7))~~ (6) If the level of revenues in the municipal sales and use
5 tax equalization account exceeds the amount necessary to make the
6 distributions under subsections (2) through ~~((+5))~~ (4) of this
7 section, then the additional revenues shall be apportioned ratably on
8 the basis of population as last determined by the office of financial
9 management among the several cities within the state ~~((ratably on the~~
10 ~~basis of population as last determined by the office of financial~~
11 ~~management: PROVIDED, That no such distribution shall be made to those~~
12 ~~cities receiving a distribution under subsection (2) of this section))~~
13 imposing the sales and use tax under RCW 82.14.030(2) at the maximum
14 rate.

15 NEW SECTION. **Sec. 6.** Sections 1 through 3 of this act are
16 necessary for the immediate preservation of the public peace, health,
17 or safety, or support of the state government and its existing public
18 institutions, and take effect April 1, 2000.

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