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**HOUSE BILL 2098**

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**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** Representatives Grant, Jarrett, O'Brien, Chase, McIntire, Hankins, Santos and Shabro

Read first time 02/25/2003. Referred to Committee on Finance.

1 AN ACT Relating to providing financial assistance to counties and  
2 cities; amending RCW 35.21.870, 35.58.560, 84.52.043, 84.52.065, and  
3 29.30.111; reenacting and amending RCW 84.52.010; adding a new section  
4 to chapter 36.01 RCW; adding a new section to chapter 82.14 RCW; adding  
5 a new section to chapter 84.52 RCW; adding a new chapter to Title 36  
6 RCW; creating new sections; making an appropriation; and declaring an  
7 emergency.

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

9 **I. LEGISLATIVE FINDINGS**

10 NEW SECTION. **Sec. 101.** It is the intent of the legislature to  
11 provide local communities more tools to choose their level of public  
12 services and taxes. The legislature recognizes that communities around  
13 the state have different economic environments and one method of  
14 financing local services does not work for all communities. It further  
15 recognizes that in some cases short-term or long-term economic changes  
16 have left communities unable to fund minimum required services by  
17 taxing the local economic base. It also recognizes that some  
18 communities have public safety, human service, or economic development

1 priorities that are not shared by other communities. It is the intent  
2 of the legislature to provide voters in counties and cities across the  
3 state the tools to shape the destinies of their own communities and to  
4 provide for local priorities. It is further the intent of the  
5 legislature to provide direct financial assistance to counties and  
6 cities that cannot provide basic governmental services without state  
7 assistance.

8 **II. BUSINESS LICENSE TAX PARITY BETWEEN**  
9 **INCORPORATED AND UNINCORPORATED AREAS**

10 NEW SECTION. **Sec. 201.** A new section is added to chapter 36.01  
11 RCW to read as follows:

12 The legislative authority of a county may exercise within the  
13 unincorporated areas within the territorial boundaries of the county  
14 the same authority authorized by general law for any class of city to  
15 fix and collect a license tax for the purposes of revenue and  
16 regulation, upon all occupations and trades, and all and every kind of  
17 business authorized by law. However, this authority does not include  
18 solid waste collection businesses operating under a contract with a  
19 city or town in effect as of the effective date of this act, and for  
20 the duration of that contract.

21 **Sec. 202.** RCW 35.21.870 and 1984 c 225 s 6 are each amended to  
22 read as follows:

23 ~~((1))~~ No county, city, or town may impose a tax on the privilege  
24 of conducting an electrical energy, natural gas, steam energy, or  
25 telephone business at a rate which exceeds ~~((six))~~ eight percent unless  
26 the rate is first approved by a majority of the voters of the county,  
27 city, or town voting on such a proposition.

28 ~~((2) If a city or town is imposing a rate of tax under subsection~~  
29 ~~(1) of this section in excess of six percent on April 20, 1982, the~~  
30 ~~city or town shall decrease the rate to a rate of six percent or less~~  
31 ~~by reducing the rate each year on or before November 1st by ordinances~~  
32 ~~to be effective on January 1st of the succeeding year, by an amount~~  
33 ~~equal to one tenth the difference between the tax rate on April 20,~~  
34 ~~1982, and six percent.~~

1 ~~Nothing in this subsection prohibits a city or town from reducing~~  
2 ~~its rates by amounts greater than the amounts required in this~~  
3 ~~subsection.~~

4 ~~Voter approved rate increases under subsection (1) of this section~~  
5 ~~shall not be included in the computations under this subsection.)~~

6 **Sec. 203.** RCW 35.58.560 and 1971 ex.s. c 303 s 10 are each amended  
7 to read as follows:

8 No ((~~county or~~)) city shall have the right to impose a tax upon the  
9 gross revenues derived by a metropolitan municipal corporation from the  
10 operation of a metropolitan sewage disposal, water supply, garbage  
11 disposal or public transportation system.

12 A metropolitan municipal corporation may credit or offset against  
13 the amount of any tax which is levied by the state during any calendar  
14 year upon the gross revenues derived by such metropolitan municipal  
15 corporation from the performance of any authorized function, the amount  
16 of any expenditures made from such gross revenues by such metropolitan  
17 municipal corporation during the same calendar year or any year prior  
18 to May 21, 1971 in planning for or performing the function of  
19 metropolitan public transportation and including interest on any moneys  
20 advanced for such purpose from other funds and to the extent of such  
21 credit a metropolitan municipal corporation may expend such revenues  
22 for such purposes.

23 A metropolitan municipal corporation authorized to perform the  
24 function of metropolitan public transportation and engaged in the  
25 operation of an urban passenger transportation system shall receive a  
26 refund of the amount of the motor vehicle fuel tax levied by the state  
27 and paid on each gallon of motor vehicle fuel used, whether such  
28 vehicle fuel tax has been paid either directly to the vendor from whom  
29 the motor vehicle fuel was purchased or indirectly by adding the amount  
30 of such tax to the price of such fuel: PROVIDED, That no refunds  
31 authorized by this section shall be granted on fuel used by any urban  
32 transportation vehicle on any trip where any portion of said trip is  
33 more than six road miles beyond the corporate limits of the  
34 metropolitan municipal corporation in which said trip originated.

35 **III. COUNTYWIDE LOCAL REVENUE OPTIONS**

1        NEW SECTION.    **Sec. 301.** A new section is added to chapter 82.14  
2 RCW to read as follows:

3        (1) A county may, subject to voter approval, set and impose a sales  
4 and use tax not to exceed two-tenths of one percent of the selling  
5 price in the case of a sales tax, or the value of the article used in  
6 the case of a use tax. The tax authorized in this section shall be in  
7 addition to any other taxes authorized by law and shall be collected  
8 from those persons who are taxable by the state under chapters 82.08  
9 and 82.12 RCW upon the occurrence of any taxable event within such  
10 county.

11        (2) Money received from a countywide sales and use tax imposed  
12 under this section shall be distributed between the county and the  
13 cities according to the following formula unless otherwise agreed to by  
14 the county and the cities in an interlocal agreement:

15        (a) Forty percent to the county;

16        (b) Forty percent to the cities within the county based ratably on  
17 population; and

18        (c) Twenty percent to the county to be expended exclusively for  
19 unincorporated services.

20        (3) If a county does not impose a sales and use tax under this  
21 section, any city within the county may, subject to voter approval, set  
22 and impose the local option sales and use tax authorized under this  
23 section within the boundaries of the city. In the event that the  
24 county later imposes a countywide local option sales and use tax under  
25 this section, the tax imposed by the city shall be reduced such that  
26 the combined rate of the tax imposed by the city and county shall not  
27 exceed two-tenths of one percent.

28        NEW SECTION.    **Sec. 302.** A new section is added to chapter 84.52  
29 RCW to read as follows:

30        (1) A county or city may impose additional regular property tax  
31 levies when specifically authorized to do so by a majority of the  
32 voters of the taxing district voting on a ballot proposition  
33 authorizing the levies. A ballot proposition authorizing a levy under  
34 this section must conform with RCW 29.30.111. A proposition  
35 authorizing the tax levies under this section shall not be submitted by  
36 a county or city more than twice in any twelve-month period.

37        (2) The levies may be imposed for an amount up to:

1 (a) Twenty-five cents per thousand dollars of assessed value of  
2 property in the city in the case of a levy by a city; and

3 (b) Ten cents per thousand dollars of assessed value of property in  
4 the county in the case of a levy by a county.

5 (3) A county unincorporated service area may impose regular annual  
6 property tax levies in an amount equal to twenty-five cents per  
7 thousand dollars of assessed value of property in the county  
8 unincorporated service area when specifically authorized to do so by a  
9 majority of the voters of the service area voting on a ballot  
10 proposition authorizing the levies. A ballot proposition authorizing  
11 a levy under this section must conform with RCW 29.30.111. A  
12 proposition authorizing the tax levies under this section shall not be  
13 submitted by a county unincorporated service area more than twice in  
14 any twelve-month period.

15 (4) A levy under this section may be imposed for a specific number  
16 of years or permanently. The duration of the levy shall be specified  
17 in the ballot proposition. If the duration of a levy is not specified  
18 in the ballot proposition, the levy shall be imposed for one year.

19 (5) A ballot proposition authorizing a levy under this section may  
20 be submitted to voters by a county, county unincorporated service area,  
21 and city at the same election.

22 (6) In the event a county, county unincorporated service area, or  
23 city levying property taxes, which in combination with property taxes  
24 levied by other taxing districts subject to the limitations provided in  
25 RCW 84.52.043 and 84.52.050, exceeds these limitations, the levy of the  
26 county, county unincorporated service area, or city shall be reduced or  
27 eliminated consistent with RCW 84.52.010.

28 (7) If a ballot proposition approved under subsection (1) or (3) of  
29 this section did not impose the maximum allowable levy amount  
30 authorized for the taxing district under this section, any future  
31 increase up to the maximum allowable levy amount must be specifically  
32 authorized by the voters in accordance with subsection (1) or (3) of  
33 this section at a general or special election.

34 (8) If a ballot proposition approved under subsection (1) or (3) of  
35 this section provided that the levy would be for a specific number of  
36 years, the taxing district may replace the levy with a permanent levy  
37 when authorized by the voters in accordance with subsection (1) or (3)  
38 of this section at a general or special election.

1 (9) The limitation in RCW 84.55.010 does not apply to the first  
2 levy imposed under this section by a county, county unincorporated  
3 service area, or city following the approval of the levies by the  
4 voters under subsections (1) and (3) of this section.

5 **Sec. 303.** RCW 84.52.043 and 1995 c 99 s 3 are each amended to read  
6 as follows:

7 Within and subject to the limitations imposed by RCW 84.52.050 as  
8 amended, the regular ad valorem tax levies upon real and personal  
9 property by the taxing districts hereafter named shall be as follows:

10 (1) Levies of the senior taxing districts shall be as follows: (a)  
11 The levy by the state shall not exceed three dollars and (~~sixty~~)  
12 twenty-five cents per thousand dollars of assessed value adjusted to  
13 the state equalized value in accordance with the indicated ratio fixed  
14 by the state department of revenue to be used exclusively for the  
15 support of the common schools; (b) the levy by any county shall not  
16 exceed one dollar and eighty cents per thousand dollars of assessed  
17 value, or one dollar and ninety cents per thousand dollars of assessed  
18 value if the county imposes a levy under section 302 of this act; (c)  
19 the levy by any road district shall not exceed two dollars and twenty-  
20 five cents per thousand dollars of assessed value; (~~and~~) (d) the  
21 regular voted levy by any county unincorporated service area shall not  
22 exceed twenty-five cents per thousand dollars of assessed value; (e)  
23 the levy by any city (~~or town~~) shall not exceed three dollars and  
24 thirty-seven and one-half cents per thousand dollars of assessed value,  
25 or three dollars and sixty-two and one-half cents per thousand dollars  
26 of assessed value if the city imposes a levy under section 302 of this  
27 act; and (f) the levy by any town shall not exceed three dollars and  
28 thirty-seven and one-half cents per thousand dollars of assessed value.

29 However any county is hereby authorized to increase its levy from one  
30 dollar and eighty cents to a rate not to exceed two dollars and forty-  
31 seven and one-half cents per thousand dollars of assessed value for  
32 general county purposes if the total levies for both the county and any  
33 road district within the county do not exceed four dollars and five  
34 cents per thousand dollars of assessed value, and no other taxing  
35 district has its levy reduced as a result of the increased county levy.  
36 Any county imposing a levy under section 302 of this act is authorized  
37 to increase its levy from one dollar and ninety cents to a rate not to

1 exceed two dollars and fifty-seven and one-half cents per thousand  
2 dollars of assessed value for general county purposes if the total  
3 levies for both the county and any road district within the county do  
4 not exceed four dollars and fifteen cents per thousand dollars of  
5 assessed value, and no other taxing district has its levy reduced as a  
6 result of the increased county levy.

7 (2) The aggregate levies of junior taxing districts and senior  
8 taxing districts, other than the state, shall not exceed ((five)) six  
9 dollars and ((ninety)) twenty-five cents per thousand dollars of  
10 assessed valuation. The term "junior taxing districts" includes all  
11 taxing districts other than the state, counties, county unincorporated  
12 service areas, road districts, cities, towns, port districts, and  
13 public utility districts. The limitations provided in this subsection  
14 shall not apply to: (a) Levies at the rates provided by existing law  
15 by or for any port or public utility district; (b) excess property tax  
16 levies authorized in Article VII, section 2 of the state Constitution;  
17 (c) levies for acquiring conservation futures as authorized under RCW  
18 84.34.230; (d) levies for emergency medical care or emergency medical  
19 services imposed under RCW 84.52.069; (e) levies to finance affordable  
20 housing for very low-income housing imposed under RCW 84.52.105; and  
21 (f) the portions of levies by metropolitan park districts that are  
22 protected under RCW 84.52.120.

23 **Sec. 304.** RCW 84.52.010 and 2002 c 248 s 15 and 2002 c 88 s 7 are  
24 each reenacted and amended to read as follows:

25 Except as is permitted under RCW 84.55.050, all taxes shall be  
26 levied or voted in specific amounts.

27 The rate percent of all taxes for state and county purposes, and  
28 purposes of taxing districts coextensive with the county, shall be  
29 determined, calculated and fixed by the county assessors of the  
30 respective counties, within the limitations provided by law, upon the  
31 assessed valuation of the property of the county, as shown by the  
32 completed tax rolls of the county, and the rate percent of all taxes  
33 levied for purposes of taxing districts within any county shall be  
34 determined, calculated and fixed by the county assessors of the  
35 respective counties, within the limitations provided by law, upon the  
36 assessed valuation of the property of the taxing districts  
37 respectively.

1           When a county assessor finds that the aggregate rate of tax levy on  
2 any property, that is subject to the limitations set forth in RCW  
3 84.52.043 or 84.52.050, exceeds the limitations provided in either of  
4 these sections, the assessor shall recompute and establish a  
5 consolidated levy in the following manner:

6           (1) The full certified rates of tax levy for state, county, county  
7 unincorporated service area, county road district, and city or town  
8 purposes shall be extended on the tax rolls in amounts not exceeding  
9 the limitations established by law; however any state levy shall take  
10 precedence over all other levies and shall not be reduced for any  
11 purpose other than that required by RCW 84.55.010. If, as a result of  
12 the levies imposed under RCW 84.52.069, 84.34.230, the portion of the  
13 levy by a metropolitan park district that was protected under RCW  
14 84.52.120, and 84.52.105, the combined rate of regular property tax  
15 levies that are subject to the one percent limitation exceeds one  
16 percent of the true and fair value of any property, then these levies  
17 shall be reduced as follows: (a) The portion of the levy by a  
18 metropolitan park district that is protected under RCW 84.52.120 shall  
19 be reduced until the combined rate no longer exceeds one percent of the  
20 true and fair value of any property or shall be eliminated; (b) if the  
21 combined rate of regular property tax levies that are subject to the  
22 one percent limitation still exceeds one percent of the true and fair  
23 value of any property, then the levies imposed under RCW 84.34.230,  
24 84.52.105, and any portion of the levy imposed under RCW 84.52.069 that  
25 is in excess of thirty cents per thousand dollars of assessed value,  
26 shall be reduced on a pro rata basis until the combined rate no longer  
27 exceeds one percent of the true and fair value of any property or shall  
28 be eliminated; and (c) if the combined rate of regular property tax  
29 levies that are subject to the one percent limitation still exceeds one  
30 percent of the true and fair value of any property, then the thirty  
31 cents per thousand dollars of assessed value of tax levy imposed under  
32 RCW 84.52.069 shall be reduced until the combined rate no longer  
33 exceeds one percent of the true and fair value of any property or  
34 eliminated.

35           (2) The certified rates of tax levy subject to these limitations by  
36 all junior taxing districts imposing taxes on such property shall be  
37 reduced or eliminated as follows to bring the consolidated levy of  
38 taxes on such property within the provisions of these limitations:



1 (a) First, the certified property tax levy rates of those junior  
2 taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100,  
3 and 67.38.130 shall be reduced on a pro rata basis or eliminated;

4 (b) Second, if the consolidated tax levy rate still exceeds these  
5 limitations, the certified property tax levy rates of flood control  
6 zone districts shall be reduced on a pro rata basis or eliminated;

7 (c) Third, if the consolidated tax levy rate still exceeds these  
8 limitations, the certified property tax levy rates of all other junior  
9 taxing districts, other than fire protection districts, library  
10 districts, the first fifty cent per thousand dollars of assessed  
11 valuation levies for metropolitan park districts, and the first fifty  
12 cent per thousand dollars of assessed valuation levies for public  
13 hospital districts, shall be reduced on a pro rata basis or eliminated;

14 (d) Fourth, if the consolidated tax levy rate still exceeds these  
15 limitations, the first fifty cent per thousand dollars of assessed  
16 valuation levies for metropolitan park districts created on or after  
17 January 1, 2002, shall be reduced on a pro rata basis or eliminated;

18 (e) Fifth, if the consolidated tax levy rate still exceeds these  
19 limitations, the certified property tax levy rates authorized to fire  
20 protection districts under RCW 52.16.140 and 52.16.160 shall be reduced  
21 on a pro rata basis or eliminated; and

22 (f) Sixth, if the consolidated tax levy rate still exceeds these  
23 limitations, the certified property tax levy rates authorized for fire  
24 protection districts under RCW 52.16.130, library districts,  
25 metropolitan park districts created before January 1, 2002, under their  
26 first fifty cent per thousand dollars of assessed valuation levy, and  
27 public hospital districts under their first fifty cent per thousand  
28 dollars of assessed valuation levy, shall be reduced on a pro rata  
29 basis or eliminated.

30 In determining whether the aggregate rate of tax levy on any  
31 property, that is subject to the limitations set forth in RCW  
32 84.52.050, exceeds the limitations provided in that section, the  
33 assessor shall use the hypothetical state levy, as apportioned to the  
34 county under RCW 84.48.080, that was computed under RCW 84.48.080  
35 without regard to the reduction under RCW 84.55.012.

36 **Sec. 305.** RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended  
37 to read as follows:

1 Subject to the limitations in RCW 84.55.010, in each year the state  
2 shall levy for collection in the following year for the support of  
3 common schools of the state a tax of three dollars and (~~sixty~~)  
4 twenty-five cents per thousand dollars of assessed value upon the  
5 assessed valuation of all taxable property within the state adjusted to  
6 the state equalized value in accordance with the indicated ratio fixed  
7 by the state department of revenue.

8 As used in this section, "the support of common schools" includes  
9 the payment of the principal and interest on bonds issued for capital  
10 construction projects for the common schools.

11 **Sec. 306.** RCW 29.30.111 and 1999 c 224 s 2 are each amended to  
12 read as follows:

13 (1) The ballot proposition authorizing a taxing district to impose  
14 the regular property tax levies authorized in RCW 36.69.145, 67.38.130,  
15 (~~or~~) 84.52.069, or section 302 of this act shall contain in substance  
16 the following:

17 "Shall the . . . . . (insert the name of the taxing district) be  
18 authorized to impose regular property tax levies of . . . . . (insert  
19 the maximum rate) or less per thousand dollars of assessed valuation  
20 for each of . . . . . (insert the maximum number of years allowable)  
21 consecutive years?

- 22 Yes . . . . .   
23 No . . . . .

24 Each voter shall indicate either "Yes" or "No" on his or her ballot  
25 in accordance with the procedures established under this title.

26 (2) The ballot proposition authorizing a taxing district to impose  
27 a permanent regular tax levy under RCW 84.52.069 or section 302 of this  
28 act shall contain the following:

29 "Shall the . . . . . (insert the name of the taxing district) be  
30 authorized to impose a PERMANENT regular property levy of . . . . .  
31 (insert the maximum rate) or less per thousand dollars of assessed  
32 valuation?

- 33 Yes . . . . .   
34 No . . . . .

35 **IV. COUNTY UNINCORPORATED SERVICE AREAS**

1           NEW SECTION. Sec. 401. (1) Any county shall have the power to  
2 create a county unincorporated service area for any purpose specified  
3 in the county ordinance or resolution. The county legislative  
4 authority shall, by resolution, order an election of the voters of the  
5 proposed county unincorporated service area to determine if the service  
6 area shall be formed. The county legislative authority shall in their  
7 resolution direct the county auditor to set the election to be held at  
8 the next general election or at a special election held for such  
9 purpose; describe the purposes of the proposed service area; and order  
10 that notice of the election be published in a newspaper of general  
11 circulation in the county at least twice prior to the election date.

12           (2) A county unincorporated service area shall be a quasi-municipal  
13 corporation, an independent taxing "authority" within the meaning of  
14 Article VII, section 1 of the state Constitution, and a "taxing  
15 district" within the meaning of Article VII, section 2 of the state  
16 Constitution.

17           (3) A county unincorporated service area shall constitute a body  
18 corporate and shall possess all the usual powers of a corporation for  
19 public purposes including, but not limited to, the authority to hire  
20 employees, staff, and services, to enter into contracts, to accept and  
21 expend or use gifts, grants, and donations, and to sue and be sued as  
22 well as all other powers that may now or hereafter be specifically  
23 conferred by statute.

24           (4) The county legislative authority shall be the governing body of  
25 a county unincorporated service area. The county treasurer shall act  
26 as the ex officio treasurer of the county unincorporated service area.  
27 The electors of a county unincorporated service area are all registered  
28 voters residing within the service area.

29           (5) A county unincorporated service area shall consist solely of  
30 all the unincorporated areas of the county.

31           NEW SECTION. Sec. 402. A proposition to form a county  
32 unincorporated service area shall be submitted to the voters of the  
33 proposed service area. Upon approval by a majority of the voters  
34 voting on the proposition, a county unincorporated service area shall  
35 be established. The proposition submitted to the voters by the county  
36 auditor on the ballot shall be in substantially the following form:

37                           FORMATION OF COUNTY UNINCORPORATED SERVICE AREA

1 Shall a county unincorporated service area be established in  
2 the unincorporated area of the county for the purpose of  
3 . . . . .

4 Yes ..... No .....

5 **V. DIRECT FINANCIAL ASSISTANCE**

6 NEW SECTION. **Sec. 501.** The sum of twenty-five million dollars is  
7 appropriated for the biennium ending June 30, 2005, from the general  
8 fund to the department of community, trade, and economic development to  
9 provide direct financial assistance to counties and cities that cannot  
10 provide basic governmental services without state assistance.

11 **VI. OTHER PROVISIONS**

12 NEW SECTION. **Sec. 601.** Sections 401 and 402 of this act  
13 constitute a new chapter in Title 36 RCW.

14 NEW SECTION. **Sec. 602.** Section 302 of this act applies to taxes  
15 levied for collection in 2004 and thereafter.

16 NEW SECTION. **Sec. 603.** Part headings used in this act are not any  
17 part of the law.

18 NEW SECTION. **Sec. 604.** If any provision of this act or its  
19 application to any person or circumstance is held invalid, the  
20 remainder of the act or the application of the provision to other  
21 persons or circumstances is not affected.

22 NEW SECTION. **Sec. 605.** This act is necessary for the immediate  
23 preservation of the public peace, health, or safety, or support of the  
24 state government and its existing public institutions, and takes effect  
25 immediately.

--- END ---