FINAL BILL REPORT
SSB 6686

C 361 L 06

Synopsis as Enacted

Brief Description: Authorizing a local sales and use tax that is credited against the state sales and use tax.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Esser, Kastama, Johnson, Kline, Finkbeiner, Weinstein, Keiser, Berkey and McAuliffe).

Senate Committee on Ways & Means
House Committee on Finance

Background: Under the state's Growth Management Act, counties establish urban growth areas (UGAs) in collaboration with cities. Within a UGA, counties are the providers of regional services, and cities are the providers of local services, until the UGA either becomes part of an existing city through annexation or incorporates. In 2004, the Legislature directed the Department of Community, Trade, and Economic Development (CTED) to study the progress of annexation and incorporation in six urban counties and to identify both barriers and incentives to fully achieving annexation or incorporation of the UGAs in these counties. Lack of funding for municipal services during the transition period following annexation was one of the barriers identified by cities, and a temporary utility surtax was one of the incentives.

Summary: Beginning July 1, 2007, a city with a population less than 400,000 and which is located in a county with a population greater than 600,000 that annexes an area consistent with its comprehensive plan may impose a sales or use tax. The tax must be taken as a credit against the sales tax, so it will not be an additional tax to a consumer.

In order to qualify for the tax, the city commences annexation of an area having a population of over 10,000 prior to January 1, 2010, and must determine by resolution or ordinance that the projected cost to provide services to the annexation area exceeds the projected revenue from the annexation area.

The rate of the tax is 0.1 percent for each annexation area with a population over 10,000 and 0.2 percent for an annexation area over 20,000. The maximum rate of credit the city can impose is 0.2 percent. The tax imposed must only be imposed at the beginning of a fiscal year and must continue for no more than ten years from the date it is imposed.

All revenue from the tax must be used to provide, maintain, and operate municipal services for the annexation area. The revenues may not exceed the difference of that which the city deems necessary to provide services for the annexation area and the general revenue received from the annexation. If the revenues due exceed that which is needed to provide the services, the tax must be suspended for the remainder of the fiscal year.

Prior to March 1st of each year, the city must notify the department of the maximum amount of distributions it is allowed to receive for the upcoming fiscal year.

Votes on Final Passage:

Senate	38	10
House	75	23

Effective: June 7, 2006