
HOUSE BILL 1153

State of Washington

59th Legislature

2005 Regular Session

By Representatives Springer, Nixon, Clibborn, Jarrett, Simpson, P. Sullivan, Shabro and B. Sullivan

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1 AN ACT Relating to equalizing the costs of providing municipal
2 services to newly annexed areas; adding a new section to chapter 35.21
3 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that, in many of the
6 most populous areas of the state, it is in the best interests of the
7 residents to provide municipal services by encouraging annexation of
8 those areas into existing adjacent cities. However, even where the
9 residents desire to become annexed, cities are unable to undertake the
10 proposed annexations because of the unfair tax burdens that would be
11 placed on their existing residents to pay for services to the newly
12 annexed areas.

13 The legislature finds that a voter-approved temporary annexation
14 surtax on utility services would provide the revenues needed to provide
15 vital municipal services paid for by the residents of the annexation
16 area. Because utility taxes are paid by property owners and renters
17 alike, the legislature believes that a temporary surtax will spread the
18 burden upon all residents in annexation areas. Furthermore, because it

1 is temporary, it will provide revenue during a transition period
2 necessary to establish those municipal services needed in the newly
3 annexed area.

4 Therefore, it is the intent of this act to provide an additional
5 tool to enable cities to annex unincorporated areas that lie within
6 designated urban growth areas when the residents of those annexation
7 areas vote to approve the annexation.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 35.21 RCW
9 to read as follows:

10 (1) In addition to and without limiting any other powers, any city
11 with a population greater than forty thousand that is located in a
12 county with a population greater than one million that imposes a
13 utility tax, may also impose and collect a temporary annexation surtax
14 on the business activity of providing a utility service to customers
15 within an annexation area if:

16 (a) The city legislative authority has adopted a resolution
17 initiating annexation under chapter 35.13 or 35A.14 RCW, or has annexed
18 an area within the preceding twelve months; and

19 (b) The city legislative authority determines by resolution or
20 ordinance that the projected cost to provide municipal services to the
21 annexation area exceeds the projected general revenue that the city
22 would otherwise receive from the annexation area on an annual basis;
23 and

24 (c) A ballot proposition, as described in subsection (5) of this
25 section, is submitted to the voters living within the annexation area
26 and approved by a majority of those voting on the proposition at a
27 general or special election. A ballot proposition under this section
28 may be submitted simultaneously with any ballot proposition or
29 propositions regarding annexation under chapter 35.13 or 35A.14 RCW.
30 Costs of conducting the election shall be paid by the city.

31 (2) The following definitions apply throughout this section unless
32 the context clearly requires otherwise:

33 (a) "Annexation area" means an area that: (i) Has been annexed to
34 a city within the preceding twelve months; or (ii) is the subject of a
35 resolution regarding annexation under RCW 35.13.015, 35.13.020,
36 35A.14.015, or 35A.14.020. "Annexation area" includes all territory
37 described in the city resolution.

1 (b) "Municipal services" means those services customarily provided
2 to the public by city government.

3 (c) "Utility tax" means any tax on the privilege of conducting a
4 utility business, including those business activities traditionally
5 taxed as utilities as that term is used in RCW 35.102.020.

6 (3) A temporary annexation surtax shall be measured by the gross
7 receipts or gross income received from the business of providing
8 utility services to the annexation area. This surtax may be imposed
9 beginning no earlier than the date on which the area is annexed to the
10 city and for not longer than ten years from its date of first
11 collection, and shall be subject to the following limitations:

12 (a) Each year during which the surtax is authorized, the city
13 council shall hold a public hearing and adopt an ordinance setting the
14 surtax at a rate not to exceed that which the city deems necessary to
15 generate revenue equal to the difference between the city's cost to
16 provide, maintain, and operate municipal services for the annexation
17 area and the general revenues that the city would otherwise expect to
18 receive from the annexation area during that year. However, in no
19 event shall the rate of the surtax exceed the rate approved by the
20 voters in the ballot proposition described under subsection (5) of this
21 section.

22 (b) All revenue collected under this section shall be used solely
23 to provide, maintain, and operate municipal services for the annexation
24 area.

25 (4) A temporary annexation surtax imposed under this section shall
26 be collected in the same manner as the utility tax on that utility
27 service. The surtax is separate from and in addition to other utility
28 taxes and is not subject to the limitations of RCW 35.21.870.

29 (5) A ballot proposition under this section shall be prepared by
30 the city attorney for the annexing city in conformance with the
31 requirements for local ballot measures under RCW 29A.36.071 and the
32 following requirements:

33 (a) The ballot proposition shall state: (i) The commencement date
34 for collection, which may be no earlier than the date on which the area
35 is annexed to the city; (ii) the maximum rate of the surtax, which may
36 not exceed ten percent; (iii) the utility services to which the surtax
37 may be applied; and (iv) the final year in which a surtax may be
38 imposed, which shall be no later than the tenth year after the surtax

1 is first collected. When used in the ballot proposition, the phrase
2 "temporary annexation surtax," or other combination of those words,
3 shall count as one word.

4 (b) The ballot proposition shall require the voters to cast ballots
5 that contain the words "For temporary annexation surtax" and "Against
6 temporary annexation surtax" or equivalent words.

7 (6) Nothing in this section limits the discretion of a city
8 legislative body to determine whether or not to proceed with an
9 annexation under chapter 35.13 or 35A.14 RCW. Notwithstanding the
10 requirements of RCW 35.21.706 or any local charter provision, a
11 temporary annexation surtax shall not be the subject of a local
12 initiative or be subject to local referendum.

13 NEW SECTION. **Sec. 3.** If any provision of this act or its
14 application to any person or circumstance is held invalid, the
15 remainder of the act or the application of the provision to other
16 persons or circumstances is not affected.

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