



1 The legislature finds that if Washington's tax structure is changed to  
2 conform to additional provisions in the streamlined sales and use tax  
3 agreement, certain jurisdictions will see a marked change in their tax  
4 revenues.

5 **Sec. 102.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to  
6 read as follows:

7 The definitions in this section apply throughout this chapter  
8 unless the context clearly requires otherwise.

9 (1) "Assessed value of real property" means the valuation of  
10 taxable real property as placed on the last completed assessment roll.

11 (2) "Department" means the department of revenue.

12 (3) "Increment area" means the geographic area from which taxes are  
13 to be appropriated to finance public improvements authorized under this  
14 chapter.

15 (4) "Increment value" means seventy-five percent of any increase in  
16 the assessed value of real property in an increment area due to the  
17 placement of new construction and improvements to property on the  
18 assessment rolls after the increment area is created, where the new  
19 construction or improvements occur entirely after the increment area is  
20 created. "Increment value" does not include any increase in the  
21 assessed value of real property representing new construction and  
22 improvements to property occurring after their initial placement on the  
23 assessment rolls, except that for new construction which represents  
24 entire buildings increment value includes seventy-five percent of any  
25 increase in the assessed value of such new construction in the years  
26 following its initial placement on the assessment rolls. There is no  
27 increment value if the assessed value of real property in an increment  
28 area has not increased due to new construction and improvements to  
29 property occurring after the increment area is created.

30 (5) "Local government" means any city, town, county, port district,  
31 or any combination thereof, that has experienced a decline of at least  
32 one-half of one percent in retail sales and use tax revenues following  
33 the adoption of portions of the streamlined sales and use tax agreement  
34 not implemented by chapter 168, Laws of 2003.

35 ~~((+3))~~ (6) "Ordinance" means any appropriate method of taking  
36 legislative action by a local government.

1       ~~((4))~~ (7) "Participating taxing authority" means a taxing  
2 authority that has entered into a written agreement with a local  
3 government for the use of community revitalization financing to the  
4 extent of allocating excess excise taxes to the local government for  
5 the purpose of financing all or a portion of the costs of designated  
6 public improvements.

7       (8) "Participating taxing district" means all taxing districts  
8 levying regular property taxes on real property within an increment  
9 area, where a local government has obtained written agreement for the  
10 use of community revitalization financing to finance all or a portion  
11 of the costs of designated public improvements as provided in RCW  
12 39.89.030(8). However, a fire protection district is not a  
13 participating taxing district unless it has entered into a signed,  
14 written agreement with a local government to provide limited funding  
15 under community revitalization financing as provided in RCW  
16 39.89.030(8)(a).

17       (9) "Public improvements" means:

18       (a) Infrastructure improvements within the increment area that  
19 include:

- 20       (i) Street and road construction and maintenance;
- 21       (ii) Water and sewer system construction and improvements;
- 22       (iii) Sidewalks and streetlights;
- 23       (iv) Parking, terminal, and dock facilities;
- 24       (v) Park and ride facilities of a transit authority;
- 25       (vi) Park facilities and recreational areas; and
- 26       (vii) Storm water and drainage management systems; and

27       (b) Expenditures for any of the following purposes:

28       (i) Providing environmental analysis, professional management,  
29 planning, and promotion within the increment area, including the  
30 management and promotion of retail trade activities in the increment  
31 area;

32       (ii) Providing maintenance and security for common or public areas  
33 in the increment area; or

34       (iii) Historic preservation activities authorized under RCW  
35 35.21.395.

36       ~~((5))~~ (10) "Public improvement costs" means the costs of: (a)  
37 Design, planning, acquisition, including land acquisition, site  
38 preparation including land clearing, construction, reconstruction,

1 rehabilitation, improvement, and installation of public improvements;  
2 (b) demolishing, relocating, maintaining, and operating property  
3 pending construction of public improvements; (c) relocating utilities  
4 as a result of public improvements; (d) financing public improvements,  
5 including interest during construction, legal and other professional  
6 services, taxes, insurance, principal and interest costs on general  
7 indebtedness issued to finance public improvements, and any necessary  
8 reserves for general indebtedness; (e) assessments incurred in  
9 revaluing real property for the purpose of determining the tax  
10 allocation base value that are in excess of costs incurred by the  
11 assessor in accordance with the revaluation plan under chapter 84.41  
12 RCW, and the costs of apportioning the taxes and complying with this  
13 chapter and other applicable law; and (f) administrative expenses and  
14 feasibility studies reasonably necessary and related to these costs,  
15 including related costs that may have been incurred before adoption of  
16 the ordinance authorizing the public improvements and the use of  
17 community revitalization financing to fund the costs of the public  
18 improvements.

19 ((+6)) (11) "Regular property taxes" means regular property taxes  
20 as defined in RCW 84.04.140, except: (a) Regular property taxes levied  
21 by port districts or public utility districts specifically for the  
22 purpose of making required payments of principal and interest on  
23 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the  
24 state for the support of the common schools under RCW 84.52.065; and  
25 (c) regular property taxes levied under the authority of RCW 84.55.050  
26 that are limited to a specific purpose as provided in RCW  
27 84.55.050(3)(c). Regular property taxes do not include excess property  
28 tax levies that are exempt from the aggregate limits for junior and  
29 senior taxing districts as provided in RCW 84.52.043.

30 ((+7)) (12) "Tax allocation base value" means the ~~((true and~~  
31 ~~fair))~~ assessed value of real property located within an increment area  
32 for taxes ~~((imposed))~~ levied in the year in which the increment area is  
33 created for collection in the following year, plus ~~((twenty-five))~~ one  
34 hundred percent of any increase in the ~~((true and fair))~~ assessed value  
35 of real property located within an increment area that is placed on the  
36 assessment rolls after the increment area is created, less the  
37 increment value.

1       ~~((8))~~ (13) "Tax allocation revenues" means those tax revenues  
2 derived from the ~~((imposition of))~~ receipt of excess excise taxes under  
3 section 202 of this act and from regular property taxes levied on the  
4 increment value and distributed to finance public improvements.

5       ~~((9) "Increment area" means the geographic area from which taxes~~  
6 ~~are to be appropriated to finance public improvements authorized under~~  
7 ~~this chapter.~~

8       ~~(10) "Increment value" means seventy five percent of any increase~~  
9 ~~in the true and fair value of real property in an increment area that~~  
10 ~~is placed on the tax rolls after the increment area is created.~~

11       ~~((11))~~ (14) "Taxing authority" means a governmental entity that  
12 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence  
13 of any taxable event within a proposed or approved increment area.

14       (15) "Taxing district~~((s))~~" means a governmental entity that levies  
15 or has levied for it regular property taxes upon real property located  
16 within a proposed or approved increment area.

17       ~~((12) "Value of taxable property" means the value of the taxable~~  
18 ~~property as defined in RCW 39.36.015.)~~

19       **Sec. 103.** RCW 39.89.030 and 2002 c 12 s 1 are each amended to read  
20 as follows:

21       A local government may finance public improvements using community  
22 revitalization financing subject to the following conditions:

23       (1) The local government adopts an ordinance designating an  
24 increment area within its boundaries and specifying the public  
25 improvements proposed to be financed in whole or in part with the use  
26 of community revitalization financing. An increment area shall be  
27 geographically restricted to the location of the public improvement and  
28 adjacent locations that the local government finds to have a high  
29 likelihood of receiving direct positive business and economic impacts  
30 due to the public improvement, such as a neighborhood or a block. An  
31 increment area shall not encompass any one political jurisdiction in  
32 its entirety. An increment area must be in a jurisdiction that  
33 experienced a decline of at least one-half of one percent in retail  
34 sales and use tax revenues following the adoption of portions of the  
35 streamlined sales and use tax not implemented by chapter 168, Laws of  
36 2003;

1 (2) The public improvements proposed to be financed in whole or in  
2 part using community revitalization financing are expected to encourage  
3 private development within the increment area and to increase the fair  
4 market value of real property within the increment area;

5 (3) The local government has entered or expects to enter into a  
6 contract with a private developer relating to the development of  
7 private improvements within the increment area or has received a letter  
8 of intent from a private developer relating to the developer's plans  
9 for the development of private improvements within the increment area;

10 (4) Private development that is anticipated to occur within the  
11 increment area, as a result of the public improvements, will be  
12 consistent with the countywide planning policy adopted by the county  
13 under RCW 36.70A.210 and the local government's comprehensive plan and  
14 development regulations adopted under chapter 36.70A RCW;

15 ~~((4) Taxing districts, in the aggregate, that levy at least~~  
16 ~~seventy five percent of the regular property tax within which the~~  
17 ~~increment area is located approves the community revitalization~~  
18 ~~financing of the project under RCW 39.89.050(1); and~~

19 ~~(5) In an increment area that includes any portion of a fire~~  
20 ~~protection district as defined in Title 52 RCW, the fire protection~~  
21 ~~district must agree to participate in the community revitalization~~  
22 ~~financing of the project under chapter 212, Laws of 2001, for the~~  
23 ~~project to proceed. Approval by the fire protection district shall be~~  
24 ~~considered as part of the required participation by taxing districts~~  
25 ~~under subsection (4) of this section)) (5) The local government may not~~  
26 use community revitalization financing to finance the costs associated  
27 with the financing, design, acquisition, construction, equipping,  
28 operating, maintaining, remodeling, repairing, and reequipping of  
29 public facilities funded with taxes collected under RCW 82.14.048;

30 (6) The governing body of the local government must make a finding  
31 that community revitalization financing: (a) Will not be used for the  
32 purpose of relocating a business from outside the increment area, but  
33 within this state, into the increment area; (b) will improve the  
34 viability of existing business entities within the increment area; and  
35 (c) will be used exclusively in areas within the jurisdiction of the  
36 local government deemed in need of economic development and/or  
37 redevelopment, and absent the financing available under this act the

1 proposed economic development and/or redevelopment would more than  
2 likely not occur;

3 (7) The governing body of the local government finds that the  
4 public improvements proposed to be financed in whole or in part using  
5 community revitalization financing are reasonably likely to:

6 (a) Increase private investment within the increment area;

7 (b) Increase employment within the increment area; and

8 (c) Generate, over the period of time that the local sales and use  
9 tax will be imposed under section 301 of this act, state and local  
10 property, sales, and use tax revenues that are equal to or greater than  
11 the respective state and local contributions made under this chapter;

12 (8) The local government obtains written agreement for the use of  
13 community revitalization financing to finance all or a portion of the  
14 costs of the designated public improvements from taxing districts that  
15 in the aggregate levy at least sixty percent of the regular property  
16 taxes on property within the increment area. The agreement must be  
17 authorized by the governing body of taxing districts that in the  
18 aggregate levy at least sixty percent of the regular property taxes on  
19 property within the increment area.

20 (a) A signed, written agreement from taxing districts that in the  
21 aggregate levy at least sixty percent of the regular property taxes  
22 within the increment area constitutes concurrence by all taxing  
23 districts in the increment area in the public improvements and  
24 participation in the public improvements to the extent of providing  
25 limited funding under community revitalization financing authorized  
26 under this chapter. However, a fire protection district shall not be  
27 deemed to participate in the public improvements unless it has provided  
28 written notice to the local government of its decision to provide  
29 limited funding under community revitalization financing.

30 (b) For purposes of this subsection (8), "regular property taxes"  
31 means regular property taxes defined in RCW 84.04.140, except: (i)  
32 Regular property taxes levied by the state; and (ii) regular property  
33 taxes levied by a fire protection district if the fire protection  
34 district has not entered into a signed, written agreement with a local  
35 government to provide limited funding under community revitalization  
36 financing as provided in (a) of this subsection.

1       **Sec. 104.** RCW 39.89.050 and 2001 c 212 s 5 are each amended to  
2 read as follows:

3       (1) Before adopting an ordinance creating the increment area, a  
4 local government must:

5       ~~((1))~~ (a) Obtain written agreement for the use of community  
6 revitalization financing to finance all or a portion of the costs of  
7 the designated public improvements from taxing districts ~~((that, in the~~  
8 ~~aggregate, levy at least seventy five percent of the regular property~~  
9 ~~tax on property within the increment area. A signed, written agreement~~  
10 ~~from taxing districts that in the aggregate levy at least seventy five~~  
11 ~~percent of the regular property tax within the increment area,~~  
12 ~~constitutes concurrence by all taxing districts in the increment area~~  
13 ~~in the public improvement and participation in the public improvement~~  
14 ~~to the extent of providing limited funding under community~~  
15 ~~revitalization financing authorized under this chapter. The agreement~~  
16 ~~must be authorized by the governing body of taxing districts that in~~  
17 ~~the aggregate levy at least seventy five percent of the regular~~  
18 ~~property tax on property within the increment area))~~ as provided in RCW  
19 39.89.030(8); and

20       ~~((2))~~ (b) Hold a public hearing on the proposed financing of the  
21 public improvement in whole or in part with community revitalization  
22 financing.

23       (i) Notice of the public hearing must be published in a legal  
24 newspaper of general circulation within the proposed increment area at  
25 least ten days before the public hearing and posted in at least six  
26 conspicuous public places located in the proposed increment area.

27       (ii) Notice must also be sent by United States mail to the property  
28 owners and the business enterprises located within the proposed  
29 increment area at least thirty days prior to the hearing. In  
30 implementing provisions under this act, the local governing body may  
31 also consult with business organizations, including the local chamber  
32 of commerce, and the office of minority and women's business  
33 enterprises to assist with providing appropriate notice to business  
34 enterprises and property owners for whom English is a second language.

35       (iii) Notices must describe the contemplated public improvements,  
36 estimate the costs of the public improvements, describe the portion of  
37 the costs of the public improvements to be borne by community  
38 revitalization financing, describe any other sources of revenue to

1 finance the public improvements, describe the boundaries of the  
2 proposed increment area, and estimate the period during which community  
3 revitalization financing is contemplated to be used. The public  
4 hearing may be held by either the governing body of the local  
5 government, or a committee of the governing body that includes at least  
6 a majority of the whole governing body(~~(+and)~~).

7 ~~((+3))~~ (2) In order to create an increment area, a local  
8 government must adopt an ordinance establishing the increment area  
9 that:

10 (a) Describes the public improvements((τ))i

11 (b) Describes the boundaries of the increment area((τ))i

12 (c) Estimates the cost of the public improvements and the portion  
13 of these costs to be financed by community revitalization  
14 financing((τ))i

15 (d) Estimates the time during which regular property taxes are to  
16 be apportioned((τ)) and, if applicable, excess excise taxes are to be  
17 used to finance public improvement costs associated with the public  
18 improvements financed in whole or in part by community revitalization  
19 financing;

20 (e) Estimates the average amount of tax revenue to be received in  
21 all fiscal years through the imposition of a sales and use tax under  
22 section 301 of this act;

23 (f) Provides the date when the apportionment of the regular  
24 property taxes and, if applicable, the use of excess excise taxes will  
25 commence((τ))i and

26 (g) Finds that the conditions of RCW 39.89.030 are met.

27 (3) For purposes of this section, "fiscal year" means the year  
28 beginning July 1st and ending the following June 30th.

29 **Sec. 105.** RCW 39.89.060 and 2001 c 212 s 6 are each amended to  
30 read as follows:

31 The local government shall:

32 (1) Publish notice in a legal newspaper of general circulation  
33 within the increment area that describes the public improvement,  
34 describes the boundaries of the increment area, and identifies the  
35 location and times where the ordinance and other public information  
36 concerning the public improvement may be inspected; and

1 (2) Deliver a certified copy of the ordinance to the county  
2 treasurer, the county assessor, and the governing body of each  
3 participating taxing district within which the increment area is  
4 located.

5 **PART II**

6 **COMMUNITY REVITALIZATION FINANCING**

7 **USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS**

8 **Sec. 201.** RCW 39.89.070 and 2001 c 212 s 7 are each amended to  
9 read as follows:

10 (1) Commencing in the second calendar year following the passage of  
11 the ordinance creating an increment area and authorizing the use of  
12 community revitalization financing, the county treasurer shall  
13 distribute receipts from regular taxes imposed on real property located  
14 in the increment area as follows:

15 (a) Each participating taxing district and the local government  
16 that created the increment area shall receive that portion of its  
17 regular property taxes produced by the rate of tax levied by or for the  
18 taxing district on the tax allocation base value for that community  
19 revitalization financing project in the taxing district, or upon the  
20 total assessed value of real property in the taxing district, whichever  
21 is smaller; and

22 (b) The local government that created the increment area shall  
23 receive an additional portion of the regular property taxes levied by  
24 it and by or for each participating taxing district upon the increment  
25 value within the increment area. However, if there is no increment  
26 value, the local government shall not receive any additional regular  
27 property taxes under this subsection (1)(b). The local government that  
28 created the increment area may agree to receive less than the full  
29 amount of ~~((this))~~ the additional portion of regular property taxes  
30 under this subsection (1)(b) as long as bond debt service, reserve, and  
31 other bond covenant requirements are satisfied, in which case the  
32 balance of these tax receipts shall be allocated to the participating  
33 taxing districts that ~~((imposed))~~ levied regular property taxes, or  
34 have regular property taxes ~~((imposed))~~ levied for them, in the  
35 increment area for collection that year in proportion to their regular  
36 tax levy rates for collection that year. The local government may

1 request that the treasurer transfer this additional portion of the  
2 property taxes to its designated agent. The portion of the tax  
3 receipts distributed to the local government or its agent under this  
4 subsection (1)(b) may only be expended to finance public improvement  
5 costs associated with the public improvements financed in whole or in  
6 part by community revitalization financing.

7 (2) The county assessor shall allocate (~~(twenty five percent of any~~  
8 ~~increased real property value occurring in the increment area to the~~  
9 ~~tax allocation base value and seventy five percent to the increment~~  
10 ~~value)) any increase in the assessed value of real property occurring  
11 in the increment area to the increment value and tax allocation base  
12 value as appropriate. This section does not authorize revaluations of  
13 real property by the assessor for property taxation that are not made  
14 in accordance with the assessor's revaluation plan under chapter 84.41  
15 RCW or under other authorized revaluation procedures.~~

16 (3) The apportionment of increases in assessed valuation in an  
17 increment area, and the associated distribution to the local government  
18 of receipts from regular property taxes that are imposed on the  
19 increment value, must cease when tax allocation revenues are no longer  
20 necessary or obligated to pay the costs of the public improvements.  
21 Any excess tax allocation revenues derived from regular property taxes  
22 and earnings on (~~the~~) such tax allocation revenues, remaining at the  
23 time the apportionment of tax receipts terminates, must be returned to  
24 the county treasurer and distributed to the participating taxing  
25 districts that imposed regular property taxes, or had regular property  
26 taxes imposed for it, in the increment area for collection that year,  
27 in proportion to the rates of their regular property tax levies for  
28 collection that year.

29 NEW SECTION. Sec. 202. A new section is added to chapter 39.89  
30 RCW to read as follows:

31 (1) A local government that creates an increment area and has  
32 received approval from the department under section 303 of this act to  
33 impose the local option sales and use tax authorized in section 301 of  
34 this act may use annually any excess excise taxes received by it from  
35 taxable activity within the increment area to finance public  
36 improvement costs associated with the public improvements financed in  
37 whole or in part by community revitalization financing. The use of

1 excess excise taxes must cease when tax allocation revenues are no  
2 longer necessary or obligated to pay the costs of the public  
3 improvements. Any participating taxing authority is authorized to  
4 allocate excess excise taxes to the local government as long as the  
5 local government has received approval from the department under  
6 section 303 of this act to impose the local option sales and use tax  
7 authorized in section 301 of this act. The legislature declares that  
8 it is a proper purpose of a local government or participating taxing  
9 authority to allocate excess excise taxes for purposes of financing  
10 public improvements under this chapter.

11 (2) A local government consisting solely of a port district may use  
12 excess excise taxes as provided in this section only to the extent that  
13 any participating taxing authority allocates excess excise taxes to the  
14 local government.

15 (3) A local government consisting of a port district and any city,  
16 town, or county may use excess excise taxes as provided in this section  
17 only if:

18 (a) The city, town, or county realizes excess excise taxes from  
19 taxable activity within the increment area; or

20 (b) Any participating taxing authority allocates excess excise  
21 taxes to the local government.

22 (4) A local government shall provide the department accurate  
23 information describing the geographical boundaries of the increment  
24 area at least seventy-five days before the effective date of the  
25 ordinance creating the increment area. The local government shall  
26 ensure that the boundary information provided to the department is kept  
27 current.

28 (5) The department shall provide each local government that has  
29 provided boundary information to the department as provided in this  
30 section and that has received approval from the department under  
31 section 303 of this act to impose the local option sales and use tax  
32 authorized in section 301 of this act with the necessary information to  
33 calculate excess excise taxes.

34 (6) The definitions in this subsection apply throughout this  
35 section unless the context clearly requires otherwise.

36 (a) "Base year" means the first calendar year following the  
37 creation of an increment area.

1 (b) "Excess excise taxes" means the amount of excise taxes received  
2 by the local government during the measurement year from taxable  
3 activity within the increment area over and above the amount of excise  
4 taxes received by the local government during the base year from  
5 taxable activity within the increment area. However, if a local  
6 government creates an increment area and reasonably determines that no  
7 activity subject to tax under chapters 82.08 and 82.12 RCW occurred in  
8 the twelve months immediately preceding the creation of the increment  
9 area within the boundaries of the area that became the increment area,  
10 "excess excise taxes" means the entire amount of excise taxes received  
11 by the local government during a calendar year period beginning with  
12 the calendar year immediately following the creation of the increment  
13 area and continuing with each measurement year thereafter.

14 (c) "Excise taxes" means local retail sales and use taxes  
15 authorized in RCW 82.14.030.

16 (d) "Measurement year" means a calendar year, beginning with the  
17 calendar year following the base year and each calendar year  
18 thereafter, that is used annually to measure the amount of excess  
19 excise taxes required to be used to finance public improvement costs  
20 associated with public improvements financed in whole or in part by  
21 community revitalization financing.

22 **PART III**  
23 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

26 (1) A city, town, or county that creates an increment area and  
27 finances public improvements pursuant to chapter 39.89 RCW may impose  
28 a sales and use tax in accordance with the terms of this chapter and  
29 subject to the criteria set forth in this section. Except as provided  
30 in this section, the tax is in addition to other taxes authorized by  
31 law and shall be collected from those persons who are taxable by the  
32 state under chapters 82.08 and 82.12 RCW upon the occurrence of any  
33 taxable event within the taxing jurisdiction of the city, town, or  
34 county. The rate of tax shall not exceed the rate provided in RCW  
35 82.08.020(1) in the case of a sales tax or the rate provided in RCW

1 82.12.020(5) in the case of a use tax, less the aggregate rates of any  
2 other taxes imposed on the same events that are credited against the  
3 state taxes imposed under chapters 82.08 and 82.12 RCW.

4 (2) The tax imposed under subsection (1) of this section shall be  
5 deducted from the amount of tax otherwise required to be collected or  
6 paid over to the department under chapter 82.08 or 82.12 RCW. The  
7 department shall perform the collection of such taxes on behalf of the  
8 city, town, or county at no cost to the city, town, or county.

9 (3) No tax may be imposed under this section before July 1, 2008.  
10 Before imposing a tax under this section, the city, town, or county  
11 shall first have received tax allocation revenues derived from either  
12 regular property taxes or excess excise taxes, or both, during the  
13 preceding calendar year. The tax imposed under this section shall  
14 expire when the bonds issued under the authority of chapter 39.89 RCW  
15 are retired, but not more than twenty-five years after the tax is first  
16 imposed.

17 (4) An ordinance adopted by the legislative authority of a city,  
18 town, or county imposing a tax under this section shall provide that:

19 (a) The tax shall first be imposed on the first day of a fiscal  
20 year.

21 (b) The amount of tax received by the local government in any  
22 fiscal year shall not exceed the amount of the state contribution;

23 (c) The tax shall cease to be imposed for the remainder of any  
24 fiscal year in which either:

25 (i) The amount of tax receipts totals the amount of the state  
26 contribution;

27 (ii) The amount of tax receipts totals the amount of "local public  
28 sources," as that term is used in section 302 of this act, dedicated in  
29 the previous calendar year to finance public improvements authorized  
30 under chapter 39.89 RCW; or

31 (iii) The amount of revenue from taxes imposed under this section  
32 by all cities, towns, and counties totals the annual state credit limit  
33 as provided in section 303(3) of this act;

34 (d) The tax shall be reimposed, should it cease to be imposed for  
35 any of the reasons provided in (c) of this subsection, at the beginning  
36 of the next fiscal year, subject to the restrictions in this section;  
37 and

1 (e) Any revenue generated by the tax in excess of the amounts  
2 specified in (a), (b), and (c) of this subsection shall belong to the  
3 state of Washington.

4 (5) If both a county and a city or town impose a tax under this  
5 section, the tax imposed by the city, town, or county shall be credited  
6 as follows:

7 (a) If the county has created an increment area before the city or  
8 town, the tax imposed by the county shall be credited against the tax  
9 imposed by the city or town, the purpose of such credit is to give  
10 priority to the county tax; and

11 (b) If the city or town has created an increment area before the  
12 county, the tax imposed by the city or town shall be credited against  
13 the tax imposed by the county, the purpose of such credit is to give  
14 priority to the city or town tax.

15 (6) The department shall determine the amount of tax receipts  
16 attributable to each city, town, and county imposing a sales and use  
17 tax under this section and shall advise a city, town, or county when it  
18 must cease imposing the tax for the remainder of the fiscal year as  
19 provided in subsection (4)(c) of this section. Determinations by the  
20 department of the amount of taxes attributable to a city, town, or  
21 county are final and shall not be used to challenge the validity of any  
22 tax imposed under this section. The department shall remit any tax  
23 receipts in excess of the amounts specified in subsection (4)(a), (b),  
24 and (c) of this section to the state treasurer who shall deposit the  
25 moneys in the general fund.

26 (7) The definitions in this subsection apply throughout this  
27 section unless the context clearly requires otherwise.

28 (a) "Base year" means the first calendar year following the  
29 creation of an increment area.

30 (b) "Excess state excise taxes" means the amount of excise taxes  
31 received by the state during the measurement year from taxable activity  
32 within the increment area over and above the amount of excise taxes  
33 received by the state during the base year from taxable activity within  
34 the increment area. However, if a local government creates an  
35 increment area and reasonably determines that no activity subject to  
36 tax under chapters 82.08 and 82.12 RCW occurred in the twelve months  
37 immediately preceding the creation of the increment area within the  
38 boundaries of the area that became the increment area, "excess state

1 excise taxes" means the entire amount of excise taxes received by the  
2 state during a calendar year period beginning with the calendar year  
3 immediately following the creation of the increment area and continuing  
4 with each measurement year thereafter.

5 (c) "Excise taxes" means the state retail sales and use taxes  
6 imposed under chapters 82.08 and 82.12 RCW.

7 (d) "Fiscal year" has the same meaning as in RCW 39.89.050(3).

8 (e) "Increment area" has the same meaning as in RCW 39.89.020.

9 (f) "Measurement year" means a calendar year, beginning with the  
10 calendar year following the base year and each calendar year  
11 thereafter, that is used annually to measure the amount of excess  
12 excise taxes required to be used to finance public improvement costs  
13 associated with public improvements financed in whole or in part by  
14 community revitalization financing.

15 (g) "State contribution" means the lesser of one million dollars or  
16 an amount equal to:

17 (i) State property tax allocation revenues received by the state  
18 during the preceding calendar year; and

19 (ii) Excess state excise taxes received by the state during the  
20 preceding calendar year.

21 (h) "State property tax allocation revenues" means those tax  
22 revenues derived from the imposition of property taxes levied by the  
23 state for the support of common schools under RCW 84.52.065 on the  
24 increment value as defined in RCW 39.89.020.

25 (i) "Tax allocation revenues" has the same meaning as in RCW  
26 39.89.020.

27 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.14  
28 RCW to read as follows:

29 (1) Moneys collected from the taxes imposed under section 301 of  
30 this act shall be used only for the purpose of principal and interest  
31 payments on bonds issued under the authority of RCW 39.89.080 and must  
32 be matched with an amount from local public sources dedicated through  
33 December 31st of the previous calendar year to finance public  
34 improvements authorized under chapter 39.89 RCW. Such local public  
35 sources include but are not limited to private monetary contributions  
36 and tax allocation revenues. Local public sources are dedicated to

1 finance public improvements if they are actually expended to pay public  
2 improvement costs or are required by law or an agreement to be used  
3 exclusively to pay public improvement costs.

4 (2) A local government shall inform the department by the first day  
5 of March of the amount of:

6 (a) Local public sources dedicated in the preceding calendar year  
7 to finance public improvements authorized under chapter 39.89 RCW; and

8 (b) Tax allocation revenues derived in the preceding calendar year  
9 from the imposition of regular property taxes on the increment value  
10 and distributed to finance public improvements. Upon request of a  
11 local government, the county assessor shall assist the local government  
12 in determining the amount of tax allocation revenues derived in the  
13 preceding calendar year and distributed to finance public improvements.

14 (3) If a local government fails to comply with subsection (2) of  
15 this section, no tax may be imposed under section 301 of this act in  
16 the subsequent fiscal year.

17 (4) A local government shall provide a report to the department by  
18 March 1st of each year. The report shall contain the following  
19 information:

20 (a) The amount of tax allocation revenues, taxes under section 301  
21 of this act, and local public sources received by the local government  
22 during the preceding calendar year, and a summary of how these revenues  
23 were expended;

24 (b) The names of any businesses locating within the increment area  
25 as a result of the public improvements undertaken by the local  
26 government and financed in whole or in part with community  
27 revitalization financing;

28 (c) The total number of permanent jobs created as a result of the  
29 public improvements undertaken by the local government and financed in  
30 whole or in part with community revitalization financing;

31 (d) The average wages and benefits received by all employees of  
32 businesses locating within the increment area as a result of the public  
33 improvements undertaken by the local government and financed in whole  
34 or in part with community revitalization financing; and

35 (e) That the local government is in compliance with RCW  
36 39.89.030(6)(c).

37 (5) The department shall make a report available to the public and  
38 the legislature by June 1st of each year. The report shall include a

1 list of public improvements undertaken by local governments and  
2 financed in whole or in part with community revitalization financing,  
3 and it shall also include a summary of the information provided to the  
4 department by local governments under subsection (4) of this section.

5 (6) The definitions in this subsection apply throughout this  
6 section unless the context clearly requires otherwise.

7 (a) "Public improvement costs" has the same meaning as in RCW  
8 39.89.020.

9 (b) "Tax allocation revenues" has the same meaning as in RCW  
10 39.89.020.

11 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.32  
12 RCW to read as follows:

13 (1) As a condition to imposing a sales and use tax under section  
14 301 of this act, a city, town, or county must apply to the department  
15 at least seventy-five days before the effective date of any such tax.  
16 The application shall be in a form and manner prescribed by the  
17 department and shall include but is not limited to information  
18 establishing that the applicant is eligible to impose such a tax, the  
19 anticipated effective date for imposing the tax, the estimated number  
20 of years that the tax will be imposed, and the estimated amount of tax  
21 revenue to be received in each fiscal year that the tax will be  
22 imposed. For purposes of this section, "fiscal year" means the year  
23 beginning July 1st and ending the following June 30th. The department  
24 shall make available forms to be used for this purpose. As part of the  
25 application, a city, town, or county must provide to the department a  
26 copy of the ordinance creating the increment area as required in RCW  
27 39.89.050. The department shall rule on completed applications within  
28 sixty days of receipt. The department may begin accepting and  
29 approving applications August 1, 2006. No new applications shall be  
30 considered by the department after the thirtieth day of September of  
31 the third year following the year in which the first application was  
32 received by the department.

33 (2) The authority to impose the local option sales and use taxes  
34 under section 301 of this act is on a first-come basis. Priority for  
35 collecting the taxes authorized under section 301 of this act among  
36 approved applicants shall be based on the date that the approved  
37 application was received by the department. As a part of the approval

1 of applications under this section, the department shall approve the  
2 amount of tax under section 301 of this act that an applicant may  
3 impose. The amount of tax approved by the department shall not exceed  
4 the lesser of five million dollars or the average amount of tax revenue  
5 that the applicant estimates that it will receive in all fiscal years  
6 through the imposition of a sales and use tax under section 301 of this  
7 act. A city, town, or county shall not receive, in any fiscal year,  
8 more revenues from taxes imposed under section 301 of this act than the  
9 amount approved by the department. The department shall not approve  
10 the receipt of more credit against the state sales and use tax than is  
11 authorized under subsection (3) of this section.

12 (3) The amount of credit against the state sales and use tax is  
13 limited as follows:

14 (a) Except as provided in this subsection (3), no more than twenty  
15 million dollars of credit against the state sales and use tax may be  
16 received by all cities, towns, and counties imposing a tax under  
17 section 301 of this act.

18 (b) During the fiscal years beginning July 1, 2009, through June  
19 30, 2012, and for each subsequent fiscal year, the total amount of  
20 credit against the state sales and use tax that may be received by all  
21 cities, towns, and counties imposing a tax under section 301 of this  
22 act shall be increased as follows:

23 (i) In the fiscal year beginning July 1, 2009, the limit in (a) of  
24 this subsection shall be increased by the same percentage as the  
25 percentage increase in the assessed value of all taxable property  
26 within this state from calendar year 2006 through calendar year 2007,  
27 as determined by the department;

28 (ii) In the fiscal year beginning July 1, 2010, the limit in (a) of  
29 this subsection shall be increased by the same percentage as the  
30 percentage increase in the assessed value of all taxable property  
31 within this state from calendar year 2006 through calendar year 2008,  
32 as determined by the department;

33 (iii) In the fiscal year beginning July 1, 2011, and for each  
34 subsequent fiscal year, the limit in (a) of this subsection shall be  
35 increased by the same percentage as the percentage increase in the  
36 assessed value of all taxable property within this state from calendar  
37 year 2006 through calendar year 2009, as determined by the department.

1 (4) The credit against the state sales and use tax shall be  
2 available to any city, town, or county imposing a tax under section 301  
3 of this act only as long as the city, town, or county has outstanding  
4 indebtedness under RCW 39.89.080.

5 (5) The department may adopt any rules under chapter 34.05 RCW it  
6 considers necessary for the administration of sections 202 through 303  
7 of this act.

8 **PART IV**  
9 **BOND AUTHORIZATION**

10 **Sec. 401.** RCW 39.89.080 and 2001 c 212 s 8 are each amended to  
11 read as follows:

12 (1) A local government designating an increment area and  
13 authorizing the use of community revitalization financing may incur  
14 general indebtedness, and issue general obligation bonds, to finance  
15 the public improvements and retire the indebtedness in whole or in part  
16 from tax allocation revenues it receives, subject to the following  
17 requirements:

18 (a) The ordinance adopted by the local government creating the  
19 increment area and authorizing the use of community revitalization  
20 financing indicates an intent to incur this indebtedness and the  
21 maximum amount of this indebtedness that is contemplated; and

22 (b) The local government includes this statement of the intent in  
23 all notices required by RCW 39.89.050.

24 (2) The general indebtedness incurred under subsection (1) of this  
25 section may be payable from other tax revenues, the full faith and  
26 credit of the local government, and nontax income, revenues, fees, and  
27 rents from the public improvements, as well as contributions, grants,  
28 and nontax money available to the local government for payment of costs  
29 of the public improvements or associated debt service on the general  
30 indebtedness.

31 (3) In addition to the requirements in subsection (1) of this  
32 section, a local government designating an increment area and  
33 authorizing the use of community revitalization financing may require  
34 the nonpublic participant to provide adequate security to protect the  
35 public investment in the public improvement within the increment area.

1       (4) Bonds issued under this section shall be authorized by  
2 ordinance of the local governing body and may be issued in one or more  
3 series and shall bear such date or dates, be payable upon demand or  
4 mature at such time or times, bear interest at such rate or rates, be  
5 in such denomination or denominations, be in such form either coupon or  
6 registered as provided in RCW 39.46.030, carry such conversion or  
7 registration privileges, have such rank or priority, be executed in  
8 such manner, be payable in such medium of payment, at such place or  
9 places, and be subject to such terms of redemption with or without  
10 premium, be secured in such manner, and have such other  
11 characteristics, as may be provided by such ordinance or trust  
12 indenture or mortgage issued pursuant thereto.

13       (5) The local government may annually pay into a fund to be  
14 established for the benefit of bonds issued under this section a fixed  
15 proportion or a fixed amount of any tax allocation revenues derived  
16 from property or business activity within the increment area containing  
17 the public improvements funded by the bonds, such payment to continue  
18 until all bonds payable from the fund are paid in full. The local  
19 government may also annually pay into the fund established in this  
20 section a fixed proportion or a fixed amount of any revenues derived  
21 from taxes imposed under section 301 of this act, such payment to  
22 continue until all bonds payable from the fund are paid in full.  
23 Revenues derived from taxes imposed under section 301 of this act are  
24 subject to the use restriction in section 302 of this act.

25       (6) In case any of the public officials of the local government  
26 whose signatures appear on any bonds or any coupons issued under this  
27 chapter shall cease to be such officials before the delivery of such  
28 bonds, such signatures shall, nevertheless, be valid and sufficient for  
29 all purposes, the same as if such officials had remained in office  
30 until such delivery. Any provision of any law to the contrary  
31 notwithstanding, any bonds issued under this chapter are fully  
32 negotiable.

33       (7) Notwithstanding subsections (4) through (6) of this section,  
34 bonds issued under this section may be issued and sold in accordance  
35 with chapter 39.46 RCW.

36       NEW SECTION. Sec. 402. A new section is added to chapter 39.89  
37 RCW to read as follows:

1 A local government that issues bonds under RCW 39.89.080 to finance  
2 public improvements may pledge for the payment of such bonds all or  
3 part of any tax allocation revenues derived from the public  
4 improvements. The local government may also pledge all or part of any  
5 revenues derived from taxes imposed under section 301 of this act and  
6 held in connection with the public improvements. All of such tax  
7 revenues are subject to the use restriction in section 302 of this act.

8 NEW SECTION. **Sec. 403.** A new section is added to chapter 39.89  
9 RCW to read as follows:

10 The bonds issued by a local government under RCW 39.89.080 to  
11 finance public improvements shall not constitute an obligation of the  
12 state of Washington, either general or special.

13 **PART V**  
14 **MISCELLANEOUS**

15 NEW SECTION. **Sec. 501.** If any provision of this act or its  
16 application to any person or circumstance is held invalid, the  
17 remainder of the act or the application of the provision to other  
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 502.** Part headings used in this act do not  
20 constitute any part of the law.

21 NEW SECTION. **Sec. 503.** Nothing in this act shall be construed to  
22 give port districts the authority to impose a sales or use tax under  
23 chapter 82.14 RCW.

24 NEW SECTION. **Sec. 504.** This act shall be known and cited as the  
25 "sales tax enhancement act."

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