
SENATE BILL 5334

State of Washington

59th Legislature

2005 Regular Session

By Senators Kastama, Finkbeiner, Esser and Keiser

Read first time 01/20/2005. Referred to Committee on Government Operations & Elections.

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 revenues during a transition period
2 necessary to establish those municipal services needed in the newly
3 annexed area.

4 Therefore, the legislature intends that this act will provide an
5 additional tool to enable cities to annex unincorporated areas that lie
6 within designated urban growth areas when the residents of those
7 annexation 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) The definitions in this subsection apply throughout this
11 section unless the context clearly requires otherwise.

12 (a) "Annexation area" means an area that (i) has been annexed to a
13 city within the preceding twelve months, or (ii) is the subject of a
14 resolution regarding annexation under RCW 35.13.015, 35.13.020,
15 35A.14.015, or 35A.14.020. For the purposes of this section, an
16 annexation area includes all territory described in the city
17 resolution.

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

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

23 (2) In addition to and without limiting any other powers, any city
24 with a population greater than forty thousand that imposes a utility
25 tax and that is located in a county with a population greater than one
26 million, may also impose and collect a temporary annexation surtax on
27 the business activity of providing a utility service to customers
28 within an annexation area if:

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

32 (b) The city legislative authority determines by resolution or
33 ordinance that the projected cost to provide municipal services to the
34 annexation area exceeds the projected general revenues that the city
35 would otherwise receive from the annexation area on an annual basis;
36 and

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

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

14 (a) Each year during which the surtax is authorized, the city
15 council shall hold a public hearing and adopt an ordinance setting the
16 surtax at a rate not to exceed that which the city deems necessary to
17 generate revenue equal to the difference between the city's cost to
18 provide, maintain, and operate municipal services for the annexation
19 area and the general revenues that the city would otherwise expect to
20 receive from the annexation area during that year. However, in no
21 event shall the rate of the surtax exceed the rate approved by the
22 voters in the ballot proposition under subsections (2) and (5) of this
23 section.

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

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

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

35 (a) The ballot proposition shall state: (i) The commencement date
36 for collection, which may be no earlier than the date on which the area
37 is annexed to the city; (ii) the maximum rate of the surtax, which may
38 not exceed ten percent; (iii) the utility services to which the surtax

1 may be applied; and (iv) the final year in which a surtax may be
2 imposed, which shall be no later than the tenth year after the surtax
3 is first collected. When used in the ballot proposition, the phrase
4 "temporary annexation surtax," or other combination of those words,
5 shall count as one word.

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

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

15 NEW SECTION. **Sec. 3.** 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.

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