
HOUSE BILL 2381

State of Washington 60th Legislature 2007 Regular Session

By Representatives Hunter, Ericks and Linville

Read first time 03/12/2007. Referred to Committee on Finance.

1 AN ACT Relating to using the voluntary compliance revenue generated
2 under the streamlined sales and use tax agreement for funding the law
3 enforcement officers' and firefighters' retirement system plan 2 and
4 local government public safety; amending RCW 82.14.... and 82.14.....;
5 amending 2007 c ... (Substitute Senate Bill No. 5089) s 901
6 (uncodified); and adding a new section to chapter 82.32 RCW.

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

8 **Sec. 1.** 2007 c ... (Substitute Senate Bill No. 5089) s 901
9 (uncodified) is amended to read as follows:

10 (1) The legislature finds and declares that:

11 (a) Washington state's participation as a member state in the
12 streamlined sales and use tax agreement benefits the state, all its
13 local taxing jurisdictions, and its retailing industry, by increasing
14 state and local revenues, improving the state's business climate, and
15 standardizing and simplifying the state's tax structure;

16 (b) Participation in the streamlined sales and use tax agreement is
17 a matter of statewide concern and is in the best interests of the
18 state, the general public, and all local jurisdictions that impose a
19 sales and use tax under applicable law;

1 (c) Participation in the streamlined sales and use tax agreement
2 requires the adoption of the agreement's sourcing provisions, which
3 change the location in which a retail sale of delivered tangible
4 personal property occurs for local sales tax purposes from the point of
5 origin to the point of destination;

6 (d) Changes in the local sales tax sourcing law provisions to
7 conform with the streamlined sales and use tax agreement will cause
8 sales tax revenues to shift among local taxing jurisdictions. The
9 legislature finds that there will be an unintended adverse impact on
10 local taxing jurisdictions that receive less revenues because local tax
11 revenues will be redistributed, with revenue increases for some
12 jurisdictions and reductions for others, due solely to changes in local
13 sales tax sourcing rules to be implemented under section 503 of this
14 act and the chapter ... (Substitute Senate Bill No. 5089), Laws of 2007
15 (this act) amendments to RCW 82.14.020, even though no local taxing
16 jurisdiction has changed its tax rate or tax base;

17 (e) The purpose of providing mitigation to such jurisdictions is to
18 mitigate the unintended revenue redistribution effect of the sourcing
19 law changes among local governments;

20 (f) It is in the best interest of the state and all its
21 subdivisions to mitigate the adverse effects of amending the local
22 sales tax sourcing provisions to be in conformance with the streamlined
23 sales and use tax agreement;

24 (g) Additionally, changes in sourcing laws may have negative
25 implications for industry sectors such as warehousing and
26 manufacturing, as well as jurisdictions that house a concentration of
27 these industries and have made zoning decisions, infrastructure
28 investments, bonding decisions, and land use policy decisions based on
29 point of origin sales tax rules in place before the effective date of
30 this section, and the mitigation provided by sections 901 through 905
31 of this act is intended to help offset those negative implications; and

32 (h) It is important that the state of Washington maintain its
33 supply of industrial land for present and future economic development
34 activities, and local governments taking advantage of the mitigation
35 provided by sections 901 through 905 of this act should strive to
36 maintain the supply of industrial land available for economic
37 development efforts.

1 (2) The legislature intends that the streamlined sales and use tax
2 mitigation and public safety account established in section 902 of this
3 act (~~((have the sole objective of))~~) has three objectives (a) mitigating,
4 for negatively affected local taxing jurisdictions, the net local sales
5 tax revenue reductions incurred as a result of section 503 of this act
6 and the chapter ... (Substitute Senate Bill No. 5089), Laws of 2007
7 (this act) amendments to RCW 82.14.020; (b) providing additional funds
8 for the law enforcement officers' and firefighters' retirement system
9 plan 2 fund; and (c) funding local government public safety uses.

10 **Sec. 2.** RCW 82.14.... and 2007 c ... (Substitute Senate Bill No.
11 5089) s 902 are each amended to read as follows:

12 (1) The streamlined sales and use tax mitigation and public safety
13 account is created in the state treasury. The state treasurer shall
14 transfer into the account from the general fund amounts as directed in
15 section 903 of this act. Expenditures from the account may be used
16 only for the (~~((purpose of))~~) purposes of (a) mitigating the negative
17 fiscal impacts to local taxing jurisdictions as a result of section 503
18 of this act and the chapter ... (Substitute Senate Bill No. 5089), Laws
19 of 2007 (this act) amendments to RCW 82.14.020; (b) providing
20 additional funds for the law enforcement officers' and firefighters'
21 retirement system plan 2 fund; and (c) funding local government public
22 safety uses.

23 (2) Beginning July 1, 2008, the state treasurer, as directed by the
24 department, shall distribute the funds in the streamlined sales and use
25 tax mitigation and public safety account to local taxing jurisdictions
26 in accordance with section 903 of this act.

27 (3) The definitions in this subsection apply throughout this
28 section and RCW 82.14.390 and section 903 of this act.

29 (a) "Agreement" means the same as in RCW 82.32.020.

30 (b) "Local taxing jurisdiction" means counties, cities,
31 transportation authorities under RCW 82.14.045, public facilities
32 districts under chapters 36.100 and 35.57 RCW, public transportation
33 benefit areas under RCW 82.14.440, and regional transit authorities
34 under chapter 81.112 RCW, that impose a sales and use tax.

35 (c) "Loss" or "losses" means the local sales and use tax revenue
36 reduction to a local taxing jurisdiction resulting from the sourcing

1 provisions in section 502 of this act and the chapter ... (Substitute
2 Senate Bill No. 5089), Laws of 2007 (this act) amendments to RCW
3 82.14.020.

4 (d) "Net loss" or "net losses" means a loss offset by any voluntary
5 compliance revenue.

6 (e) "Voluntary compliance revenue" means the local sales tax
7 revenue gain to each local taxing jurisdiction reported to the
8 department from persons registering through the central registration
9 system authorized under the agreement.

10 (f) "Working day" has the same meaning as in RCW 82.45.180.

11 **Sec. 3.** RCW 82.14.... and 2007 c ... (Substitute Senate Bill No.
12 5089) s 903 are each amended to read as follows:

13 (1) In order to mitigate local sales tax revenue net losses as a
14 result of the sourcing provisions of the streamlined sales and use tax
15 agreement under this title, the state treasurer shall transfer into the
16 streamlined sales and use tax mitigation and public safety account from
17 the general fund the sum of thirty-one million six hundred thousand
18 dollars on July 1, 2008. On July 1, 2009, and each July 1st
19 thereafter, the state treasurer shall transfer into the streamlined
20 sales and use tax mitigation and public safety account from the general
21 fund the sum required to mitigate actual net losses as determined under
22 this section.

23 (2) Beginning July 1, 2008, and continuing until the department
24 determines annual losses under subsection (3) of this section, the
25 department shall determine the amount of local sales tax net loss each
26 local taxing jurisdiction experiences as a result of the sourcing
27 provisions of the streamlined sales and use tax agreement under this
28 title each calendar quarter. The department shall determine losses by
29 analyzing and comparing data from tax return information and tax
30 collections for each local taxing jurisdiction before and after the
31 effective date of this section on a calendar quarter basis. The
32 department's analysis may be revised and supplemented in consultation
33 with the oversight committee as provided in subsection (4) of this
34 section. To determine net losses, the department shall reduce losses
35 by the amount of voluntary compliance revenue for the calendar quarter
36 analyzed. Beginning December 31, 2008, distributions shall be made
37 quarterly from the streamlined sales and use tax mitigation and public

1 safety account by the state treasurer, as directed by the department,
2 to each local taxing jurisdiction, other than public facilities
3 districts for losses in respect to taxes imposed under the authority of
4 RCW 82.14.390, in an amount representing its net losses for the
5 previous calendar quarter. Distributions shall be made on the last
6 working day of each calendar quarter and shall cease when distributions
7 under subsection (3) of this section begin.

8 (3)(a) By December 31, 2009, or such later date the department in
9 consultation with the oversight committee determines that sufficient
10 data is available, the department shall determine each local taxing
11 jurisdiction's annual loss. The department shall determine annual
12 losses by comparing at least twelve months of data from tax return
13 information and tax collections for each local taxing jurisdiction
14 before and after the effective date of this section. The department
15 shall not be required to determine annual losses on a recurring basis,
16 but may make any adjustments to annual losses as it deems proper as a
17 result of the annual reviews provided in (b) of this subsection.
18 Beginning the calendar quarter in which the department determines
19 annual losses, and each calendar quarter thereafter, distributions
20 shall be made from the streamlined sales and use tax mitigation and
21 public safety account by the state treasurer on the last working day of
22 the calendar quarter, as directed by the department, to each local
23 taxing jurisdiction, other than public facilities districts for losses
24 in respect to taxes imposed under the authority of RCW 82.14.390, in an
25 amount representing one-fourth of the jurisdiction's annual loss
26 reduced by voluntary compliance revenue reported during the previous
27 calendar quarter.

28 (b) The department's analysis of annual losses shall be reviewed by
29 December 1st of each year and may be revised and supplemented in
30 consultation with the oversight committee as provided in subsection (4)
31 of this section.

32 (4) The department shall convene an oversight committee to assist
33 in the determination of losses. The committee shall include one
34 representative of one city whose revenues are increased, one
35 representative of one city whose revenues are reduced, one
36 representative of one county whose revenues are increased, one
37 representative of one county whose revenues are decreased, one
38 representative of one transportation authority under RCW 82.14.045

1 whose revenues are increased, and one representative of one
2 transportation authority under RCW 82.14.045 whose revenues are
3 reduced, as a result of section 503 of this act and the chapter ...
4 (Substitute Senate Bill No. 5089), Laws of 2007 (this act) amendments
5 to RCW 82.14.020. Beginning July 1, 2008, the oversight committee
6 shall meet quarterly with the department to review and provide
7 additional input and direction on the department's analyses of losses.
8 Local taxing jurisdictions may also present to the oversight committee
9 additional information to improve the department's analyses of the
10 jurisdiction's loss. Beginning January 1, 2010, the oversight
11 committee shall meet at least annually with the department by December
12 1st.

13 (5) The rule-making provisions of chapter 34.05 RCW do not apply to
14 this section.

15 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW
16 to read as follows:

17 (1) Beginning January 1, 2009, and on the first business day of
18 every calendar quarter thereafter, the state treasurer shall transfer
19 the lesser of voluntary compliance revenue for the previous calendar
20 quarter or six million two hundred fifty thousand dollars into the law
21 enforcement officers' and firefighters' retirement system plan 2 fund.

22 (2)(a) Beginning January 1, 2009, and on the first business day of
23 every calendar quarter thereafter, the state treasurer shall transfer
24 the lesser of voluntary compliance revenue for the previous calendar
25 quarter or six million two hundred fifty thousand dollars to local
26 governments for public safety purposes as set forth under (b) of this
27 subsection.

28 (b) The transfer under (a) of this subsection must be apportioned
29 to result in an equal amount being provided for each law enforcement
30 officer and firefighter employed by a local government, based on the
31 total number of law enforcement officers and firefighters employed by
32 all local governments. For the purpose of this subsection, "local
33 government" means any city, town, county, district, or other municipal
34 corporation that employs firefighters or law enforcement officers, as
35 defined in RCW 41.26.030.

36 (3) For the purposes of this section, "voluntary compliance
37 revenue" means the state sales tax revenue gain to the state reported

1 to the department from persons registering through the central
2 registration system authorized under the streamlined sales and use tax
3 agreement in excess of the mitigation amounts provided to local
4 governments under section 903, chapter . . . (Substitute Senate Bill
5 No. 5089), Laws of 2007.

6 (4) In the event voluntary compliance revenue is less than twelve
7 million five hundred thousand dollars, the treasurer shall divide that
8 amount between the transfers under subsections (1) and (2) of this
9 section.

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