

ESSB 5321 - H COMM AMD
By Committee on Finance

ADOPTED AS AMENDED 04/16/2009

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 82.14.415 and 2006 c 361 s 1 are each amended to read
4 as follows:

5 (1) The legislative authority of any city (~~((with a population less
6 than four hundred thousand and which))~~) that is located in a county with
7 a population greater than six hundred thousand that annexes an area
8 consistent with its comprehensive plan required by chapter 36.70A RCW,
9 may impose a sales and use tax in accordance with the terms of this
10 chapter. The tax is in addition to other taxes authorized by law and
11 shall be collected from those persons who are taxable by the state
12 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable
13 event within the city. The tax may only be imposed by a city if:

14 (a) The city has commenced annexation of an area (~~((under chapter
15 35.13 or 35A.14 RCW))~~) having a population of at least ten thousand
16 people prior to January 1, (~~((2010))~~) 2015; and

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

21 (2) The tax authorized under this section is a credit against the
22 state tax under chapter 82.08 or 82.12 RCW. The department of revenue
23 shall perform the collection of such taxes on behalf of the city at no
24 cost to the city and shall remit the tax to the city as provided in RCW
25 82.14.060.

26 (3)(a) Except as provided in (b) of this subsection, the maximum
27 rate of tax any city may impose under this section (~~((shall be 0.2~~
28 ~~percent for the total number of annexed areas the city may annex. The~~
29 ~~rate of the tax imposed under this section))~~) is:

1 (i) 0.1 percent for each annexed area in which the population
2 ((that)) is greater than ten thousand and less than twenty thousand((-
3 The rate of the tax imposed under this section shall be)); and

4 (ii) 0.2 percent for an annexed area in which the population is
5 greater than twenty thousand.

6 (b) The maximum rate of tax imposed under this section is 0.85
7 percent for an annexed area in which the population is greater than ten
8 thousand and the area is annexed by a city with a population greater
9 than four hundred thousand.

10 (4)(a) Except as provided in (b) and (c) of this subsection, the
11 maximum cumulative rate of tax a city may impose under subsection
12 (3)(a) of this section is 0.2 percent for the total number of annexed
13 areas the city may annex.

14 (b) The maximum cumulative rate of tax a city may impose under
15 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
16 2011, if the city commenced annexation of an area, prior to January 1,
17 2010, that would have otherwise allowed the city to increase the rate
18 of tax imposed under this section absent the rate limit imposed in (a)
19 of this subsection.

20 (c) The maximum cumulative rate of tax a city may impose under
21 subsection (3)(b) of this section is 0.85 percent for the single
22 annexed area the city may annex and the amount of tax distributed to a
23 city under subsection (3)(b) of this section shall not exceed five
24 million dollars per fiscal year.

25 (5) The tax imposed by this section shall only be imposed at the
26 beginning of a fiscal year and shall continue for no more than ten
27 years from the date that each increment of the tax is first imposed.
28 Tax rate increases due to additional annexed areas shall be effective
29 on July 1st of the fiscal year following the fiscal year in which the
30 annexation occurred, provided that notice is given to the department as
31 set forth in subsection ((+8)) (9) of this section.

32 ((+5)) (6) All revenue collected under this section shall be used
33 solely to provide, maintain, and operate municipal services for the
34 annexation area.

35 ((+6)) (7) The revenues from the tax authorized in this section
36 may not exceed that which the city deems necessary to generate revenue
37 equal to the difference between the city's cost to provide, maintain,
38 and operate municipal services for the annexation area and the general

1 revenues that the cities would otherwise expect to receive from the
2 annexation during a year. If the revenues from the tax authorized in
3 this section and the revenues from the annexation area exceed the costs
4 to the city to provide, maintain, and operate municipal services for
5 the annexation area during a given year, the city shall notify the
6 department and the tax distributions authorized in this section shall
7 be suspended for the remainder of the year.

8 ~~((+7))~~ (8) No tax may be imposed under this section before July 1,
9 2007. Before imposing a tax under this section, the legislative
10 authority of a city shall adopt an ordinance that includes the
11 following:

12 (a) A certification that the amount needed to provide municipal
13 services to the annexed area reflects the city's true and actual costs;

14 (b) The rate of tax under this section that shall be imposed within
15 the city; and

16 ~~((+b))~~ (c) The threshold amount for the first fiscal year
17 following the annexation and passage of the ordinance.

18 ~~((+8))~~ (9) The tax shall cease to be distributed to the city for
19 the remainder of the fiscal year once the threshold amount has been
20 reached. No later than March 1st of each year, the city shall provide
21 the department with a certification of the city's true and actual costs
22 to provide municipal services to the annexed area, a new threshold
23 amount for the next fiscal year, and notice of any applicable tax rate
24 changes. Distributions of tax under this section shall begin again on
25 July 1st of the next fiscal year and continue until the new threshold
26 amount has been reached or June 30th, whichever is sooner. Any revenue
27 generated by the tax in excess of the threshold amount shall belong to
28 the state of Washington. Any amount resulting from the threshold
29 amount less the total fiscal year distributions, as of June 30th, shall
30 not be carried forward to the next fiscal year.

31 (10) The tax shall cease to be distributed to a city imposing the
32 tax under subsection (3)(b) of this section for the remainder of the
33 fiscal year, if the total distributions to the city imposing the tax
34 exceed five million dollars for the fiscal year.

35 ~~((+9))~~ (11) The following definitions apply throughout this
36 section unless the context clearly requires otherwise:

37 (a) "Annexation area" means an area that has been annexed to a city

1 under chapter 35.13 or 35A.14 RCW. "Annexation area" includes all
2 territory described in the city resolution.

3 (b) "Commenced annexation" means the initiation of annexation
4 proceedings has taken place under the direct petition method or the
5 election method under chapter 35.13 or 35A.14 RCW.

6 (c) "Department" means the department of revenue.

7 ((+e)) (d) "Municipal services" means those services customarily
8 provided to the public by city government.

9 ((+d)) (e) "Fiscal year" means the year beginning July 1st and
10 ending the following June 30th.

11 (f) "Potential annexation area" means one or more geographic areas
12 that a city has officially designated for potential future annexation,
13 as part of its comprehensive plan adoption process under the state
14 growth management act, chapter 36.70A RCW.

15 ((+e)) (g) "Threshold amount" means the maximum amount of tax
16 distributions as determined by the city in accordance with subsection
17 ((+6)) (7) of this section that the department shall distribute to the
18 city generated from the tax imposed under this section in a fiscal
19 year.

20 **Sec. 2.** RCW 9.46.295 and 1974 ex.s. c 155 s 6 are each amended to
21 read as follows:

22 (1) Any license to engage in any of the gambling activities
23 authorized by this chapter as now exists or as hereafter amended, and
24 issued under the authority thereof shall be legal authority to engage
25 in the gambling activities for which issued throughout the incorporated
26 and unincorporated area of any county, except that a city located
27 therein with respect to that city, or a county with respect to all
28 areas within that county except for such cities, may absolutely
29 prohibit, but may not change the scope of license, any or all of the
30 gambling activities for which the license was issued.

31 (2) A city or town with a prohibition or limitation on house-banked
32 social card game licenses that annexes an area that is within a county
33 that permits house-banked social card games may allow a house-banked
34 social card game business that existed at the time of annexation to
35 continue operating if the city or town is authorized to impose a tax
36 under RCW 82.14.415 and can demonstrate that the continuation of the
37 house-banked social card game business will reduce the credit against

1 the state sales and use tax as provided in RCW 82.14.415(7). A city or
2 town that allows a house-banked social card game business in an annexed
3 area to continue operating is not required to allow additional house-
4 banked social card game businesses."

5 Correct the title.

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