
HOUSE BILL 2719

State of Washington

61st Legislature

2010 Regular Session

By Representatives Appleton, Simpson, and Chase

Read first time 01/12/10. Referred to Committee on Local Government & Housing.

1 AN ACT Relating to allowing cities with certain population
2 densities to impose sales and use taxes to offset municipal service
3 costs to newly annexed areas; and amending RCW 82.14.415.

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

5 **Sec. 1.** RCW 82.14.415 and 2009 c 550 s 1 are each amended to read
6 as follows:

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

17 (a) The city has commenced annexation of an area having a
18 population of at least ten thousand people, or four thousand in the

1 case of a city described under subsection (3)(a)(i) of this section,
2 prior to January 1, 2015; and

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

7 (2) The tax authorized under this section is a credit against the
8 state tax under chapter 82.08 or 82.12 RCW. The department of revenue
9 shall perform the collection of such taxes on behalf of the city at no
10 cost to the city and shall remit the tax to the city as provided in RCW
11 82.14.060.

12 (3)(a) Except as provided in (b) of this subsection, the maximum
13 rate of tax any city may impose under this section is:

14 (i) 0.1 percent for each annexed area in which the population is
15 greater than ten thousand and less than twenty thousand. The ten
16 thousand population threshold in this subsection (3)(a)(i) is four
17 thousand for a city with a population between one hundred fifteen
18 thousand and one hundred forty thousand and located within a county
19 with a population over one million five hundred thousand; and

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

22 (b) Beginning July 1, 2011, the maximum rate of tax imposed under
23 this section is 0.85 percent for an annexed area in which the
24 population is greater than eighteen thousand if the annexed area was,
25 prior to November 1, 2008, officially designated as a potential
26 annexation area by more than one city, one of which has a population
27 greater than four hundred thousand.

28 (4)(a) Except as provided in (b) of this subsection, the maximum
29 cumulative rate of tax a city may impose under subsection (3)(a) of
30 this section is 0.2 percent for the total number of annexed areas the
31 city may annex.

32 (b) The maximum cumulative rate of tax a city may impose under
33 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
34 2011, if the city commenced annexation of an area, prior to January 1,
35 2010, that would have otherwise allowed the city to increase the rate
36 of tax imposed under this section absent the rate limit imposed in (a)
37 of this subsection.

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

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

13 (6) All revenue collected under this section shall be used solely
14 to provide, maintain, and operate municipal services for the annexation
15 area.

16 (7) The revenues from the tax authorized in this section may not
17 exceed that which the city deems necessary to generate revenue equal to
18 the difference between the city's cost to provide, maintain, and
19 operate municipal services for the annexation area and the general
20 revenues that the cities would otherwise expect to receive from the
21 annexation during a year. If the revenues from the tax authorized in
22 this section and the revenues from the annexation area exceed the costs
23 to the city to provide, maintain, and operate municipal services for
24 the annexation area during a given year, the city shall notify the
25 department and the tax distributions authorized in this section shall
26 be suspended for the remainder of the year.

27 (8) No tax may be imposed under this section before July 1, 2007.
28 Before imposing a tax under this section, the legislative authority of
29 a city shall adopt an ordinance that includes the following:

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

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

34 (c) The threshold amount for the first fiscal year following the
35 annexation and passage of the ordinance.

36 (9) The tax shall cease to be distributed to the city for the
37 remainder of the fiscal year once the threshold amount has been
38 reached. No later than March 1st of each year, the city shall provide

1 the department with a certification of the city's true and actual costs
2 to provide municipal services to the annexed area, a new threshold
3 amount for the next fiscal year, and notice of any applicable tax rate
4 changes. Distributions of tax under this section shall begin again on
5 July 1st of the next fiscal year and continue until the new threshold
6 amount has been reached or June 30th, whichever is sooner. Any revenue
7 generated by the tax in excess of the threshold amount shall belong to
8 the state of Washington. Any amount resulting from the threshold
9 amount less the total fiscal year distributions, as of June 30th, shall
10 not be carried forward to the next fiscal year.

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

15 (11) The following definitions apply throughout this section unless
16 the context clearly requires otherwise:

17 (a) "Annexation area" means an area that has been annexed to a city
18 under chapter 35.13 or 35A.14 RCW. "Annexation area" includes all
19 territory described in the city resolution.

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

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

24 (d) "Municipal services" means those services customarily provided
25 to the public by city government.

26 (e) "Fiscal year" means the year beginning July 1st and ending the
27 following June 30th.

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

32 (g) "Threshold amount" means the maximum amount of tax
33 distributions as determined by the city in accordance with subsection
34 (7) of this section that the department shall distribute to the city
35 generated from the tax imposed under this section in a fiscal year.

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