
SUBSTITUTE HOUSE BILL 2909

State of Washington 61st Legislature 2010 Regular Session

By House Local Government & Housing (originally sponsored by Representative Appleton)

READ FIRST TIME 02/03/10.

1 AN ACT Relating to allowing certain cities to impose sales and use
2 taxes to offset municipal service costs to newly annexed areas; and
3 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 persons or
9 in a county with a population density greater than six hundred twenty
10 persons per square mile and less than six hundred eighty-six persons
11 per square mile that annexes an area consistent with its comprehensive
12 plan required by chapter 36.70A RCW((~~7~~)) may impose a sales and use tax
13 in accordance with the terms of this chapter. The tax is in addition
14 to other taxes authorized by law and shall be collected from those
15 persons who are taxable by the state under chapters 82.08 and 82.12 RCW
16 upon the occurrence of any taxable event within the city. The tax may
17 only be imposed by a city if:

18 (a) The city has commenced annexation of an area having a

1 population of at least ten thousand people, or four thousand in the
2 case of a city described under subsection (3)(a)(i) of this section,
3 prior to January 1, 2015; (~~and~~)

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

9 (c) On or after the effective date of this act an interlocal
10 agreement between the pertinent county legislative authority and the
11 annexing city regarding how the tax revenues are to be used is in
12 effect. This subsection (1)(c) applies to only those cities in a
13 county with a population exceeding three hundred thirty-five thousand
14 persons, located west of the crest of the Cascade mountains, partially
15 bordered by the Columbia river, and which is immediately adjacent to
16 the major metropolitan area of another state.

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

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

24 (i) 0.1 percent for each annexed area in which the population is
25 greater than ten thousand and less than twenty thousand. The ten
26 thousand population threshold in this subsection (3)(a)(i) is four
27 thousand for a city with a population between one hundred fifteen
28 thousand and one hundred forty thousand and located within a county
29 with a population over one million five hundred thousand; and

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

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

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

5 (b) The maximum cumulative rate of tax a city may impose under
6 subsection (3)(a) of this section is 0.3 percent, beginning July 1,
7 2011, if the city commenced annexation of an area, prior to January 1,
8 2010, that would have otherwise allowed the city to increase the rate
9 of tax imposed under this section absent the rate limit imposed in (a)
10 of this subsection.

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

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

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

26 (7) The revenues from the tax authorized in this section may not
27 exceed that which the city deems necessary to generate revenue equal to
28 the difference between the city's cost to provide, maintain, and
29 operate municipal services for the annexation area and the general
30 revenues that the cities would otherwise expect to receive from the
31 annexation during a year. If the revenues from the tax authorized in
32 this section and the revenues from the annexation area exceed the costs
33 to the city to provide, maintain, and operate municipal services for
34 the annexation area during a given year, the city shall notify the
35 department and the tax distributions authorized in this section shall
36 be suspended for the remainder of the year.

37 (8) No tax may be imposed under this section before July 1, 2007.

1 Before imposing a tax under this section, the legislative authority of
2 a city shall adopt an ordinance that includes the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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