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SENATE BILL 5321

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State of Washington

61st Legislature

2009 Regular Session

By Senators Prentice, Kline, Pflug, Berkey, Shin, Hobbs, McAuliffe, Tom, Keiser, Jarrett, and Kauffman

Read first time 01/20/09. Referred to Committee on Ways & Means.

1 AN ACT Relating to extending a local sales and use tax that is  
2 credited against the state sales and use tax; amending RCW 82.14.415;  
3 and providing an effective date.

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

5 **Sec. 1.** RCW 82.14.415 and 2006 c 361 s 1 are each amended to read  
6 as follows:

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

16 (a) The city has commenced annexation of an area under chapter  
17 35.13 or 35A.14 RCW having a population of at least ten thousand people  
18 prior to January 1, 2010, or between the period of January 1, 2011,  
19 through January 1, 2021; and

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

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

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

14 (i) 0.1 percent for each annexed area population that is greater  
15 than ten thousand and less than twenty thousand(~~. The rate of the tax~~  
16 imposed under this section shall be)); and

17 (ii) 0.2 percent for an annexed area which the population is  
18 greater than twenty thousand.

19 (b) The maximum rate of tax imposed under this section is 0.0034  
20 percent for each annexed area in which the population is greater than  
21 ten thousand and the area is annexed by a city with a population  
22 greater than four hundred thousand.

23 (4) (a) The maximum cumulative rate of tax a city may impose under  
24 subsection (3)(a) of this section is 0.2 percent for the total number  
25 of annexed areas the city may annex.

26 (b) The maximum cumulative rate of tax a city may impose under  
27 subsection (3)(b) of this section is 0.0034 percent for the total  
28 number of annexed areas the city may annex.

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

36 ~~((+5+))~~ (6) All revenue collected under this section shall be used  
37 solely to provide, maintain, and operate municipal services for the  
38 annexation area.

1        ~~((+6))~~ (7) The revenues from the tax authorized in this section  
2 may not exceed that which the city deems necessary to generate revenue  
3 equal to the difference between the city's cost to provide, maintain,  
4 and operate municipal services for the annexation area and the general  
5 revenues that the cities would otherwise expect to receive from the  
6 annexation during a year. If the revenues from the tax authorized in  
7 this section and the revenues from the annexation area exceed the costs  
8 to the city to provide, maintain, and operate municipal services for  
9 the annexation area during a given year, the city shall notify the  
10 department and the tax distributions authorized in this section shall  
11 be suspended for the remainder of the year.

12        ~~((+7))~~ (8) No tax may be imposed under this section before July 1,  
13 2007. Before imposing a tax under this section, the legislative  
14 authority of a city shall adopt an ordinance that includes the  
15 following:

16        (a) The rate of tax under this section that shall be imposed within  
17 the city; and

18        (b) The threshold amount for the first fiscal year following the  
19 annexation and passage of the ordinance.

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

32        ~~((+9))~~ (10) The following definitions apply throughout this  
33 section unless the context clearly requires otherwise:

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

37        (b) "Department" means the department of revenue.

1 (c) "Municipal services" means those services customarily provided  
2 to the public by city government.

3 (d) "Fiscal year" means the year beginning July 1st and ending the  
4 following June 30th.

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

10 NEW SECTION. **Sec. 2.** This act takes effect August 1, 2009.

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