
SUBSTITUTE HOUSE BILL 2681

State of Washington

63rd Legislature

2014 Regular Session

By House Local Government (originally sponsored by Representatives Fitzgibbon, Kochmar, Hargrove, Springer, Bergquist, and Freeman)

READ FIRST TIME 02/05/14.

1 AN ACT Relating to including costs associated with preparing for
2 new annexations within city sales and use tax authority; and amending
3 RCW 82.14.415.

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

5 **Sec. 1.** RCW 82.14.415 and 2011 c 353 s 10 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 that annexes
9 an area consistent with its comprehensive plan required by chapter
10 36.70A RCW may impose a sales and use tax in accordance with the terms
11 of this chapter. The tax is in addition to other taxes authorized by
12 law and is collected from those persons who are taxable by the state
13 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable
14 event within the city. The tax may only be imposed by a city if:

15 (a) The city has commenced annexation of an area having a
16 population of at least ten thousand people, or four thousand in the
17 case of a city described under subsection (3)(a)(i) of this section,
18 prior to January 1, (~~2015~~) 2017; and

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

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

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

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

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

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

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

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

37 (c) The maximum cumulative rate of tax a city may impose under
38 subsection (3)(b) of this section is 0.85 percent for the single

1 annexed area the city may annex and the amount of tax distributed to a
2 city under subsection (3)(b) of this section may not exceed five
3 million dollars per fiscal year.

4 (5) The tax imposed by this section may only be imposed at the
5 beginning of a fiscal year and may continue for no more than ten years
6 from the date that each increment of the tax is first imposed. To
7 assist a city to prepare for annexation, the tax imposed under this
8 section may be imposed as follows: If the annexation is proceeding
9 under an election method authorized in chapter 35A.14 or 35.13 RCW, the
10 imposition may occur after the annexation election if a majority of
11 voters voting on the proposition has voted in favor of the annexation
12 and the annexing city has set an effective date of two or fewer years
13 following the election; or if the annexation is proceeding under a
14 direct petition or interlocal method authorized in chapter 35A.14 or
15 35.13 RCW, the imposition may occur after the city has set an effective
16 date for the annexation of two or fewer years after the date upon which
17 the resolution or ordinance establishing the effective date for the
18 annexation was adopted. Tax rate increases due to additional annexed
19 areas are effective on July 1st of the fiscal year following the fiscal
20 year in which the annexation occurred, provided that notice is given to
21 the department as set forth in subsection (9) of this section.

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

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

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

6 (b) The rate of tax under this section that is imposed within the
7 city; and

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

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

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

28 (11) The resident population of the annexation area must be
29 determined in accordance with chapter 35.13 or 35A.14 RCW.

30 (12) The following definitions apply throughout this section unless
31 the context clearly requires otherwise:

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

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

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

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

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

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

9 (g) "Threshold amount" means the maximum amount of tax
10 distributions as determined by the city in accordance with subsection
11 (7) of this section that the department must distribute to the city
12 generated from the tax imposed under this section in a fiscal year.

--- END ---