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**HOUSE BILL 1789**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Representatives Springer, Nealey, Fitzgibbon, Fagan, Tharinger, Takko, Reykdal, S. Hunt, Gregerson, Ryu, Peterson, and Senn

AN ACT Relating to granting counties and cities greater flexibility with real estate excise tax proceeds; and amending RCW 82.46.010 and 82.46.035.

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

**Sec.**  RCW 82.46.010 and 2014 c 44 s 1 are each amended to read as follows:

(1) The legislative authority of any county or city must identify in the adopted budget the capital projects funded in whole or in part from the proceeds of the tax authorized in this section, and must indicate that such tax is intended to be in addition to other funds that may be reasonably available for such capital projects.

(2)(a) The legislative authority of any county or any city may impose an excise tax on each sale of real property in the unincorporated areas of the county for the county tax and in the corporate limits of the city for the city tax at a rate not exceeding one-quarter of one percent of the selling price. The revenues generated from ((~~this tax must be used~~))the tax imposed under this subsection (2) of this section by any city or county with a population of five thousand or less, and any city or county that does not plan under RCW 36.70A.040, may only be used for: (i) Any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040; or (ii) the maintenance and operation of capital projects.

(b)(i) Except as provided otherwise by (b)(ii) of this subsection, after April 30, 1992, revenues generated from the tax imposed under this subsection (2) in counties ((~~over~~))with a population greater than five thousand ((~~population~~)), and cities ((~~over~~))with a population greater than five thousand ((~~population~~)) that are required or choose to plan under RCW 36.70A.040 ((~~must be used solely~~)), may only be used for financing, maintaining, and operating capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance under RCW 59.18.440 and 59.18.450. ((~~However,~~))

(ii) Revenues ((~~(i)~~))generated from the tax imposed under this subsection (2) that are: (A) Pledged by ((~~such~~)) counties and cities to debt retirement prior to April 30, 1992, may continue to be used for that purpose until the original debt for which the revenues were pledged is retired((~~,~~)); or ((~~(ii)~~))(B) committed prior to April 30, 1992, by ((~~such~~)) counties or cities to a project may continue to be used for that purpose until the project is completed.

(3) In lieu of imposing the tax authorized in RCW 82.14.030(2), the legislative authority of any county or any city may impose an additional excise tax on each sale of real property in the unincorporated areas of the county for the county tax and in the corporate limits of the city for the city tax at a rate not exceeding one-half of one percent of the selling price.

(4) Taxes imposed under this section must be collected from persons who are taxable by the state under chapter 82.45 RCW upon the occurrence of any taxable event within the unincorporated areas of the county or within the corporate limits of the city, as the case may be.

(5) Taxes imposed under this section must comply with all applicable rules, regulations, laws, and court decisions regarding real estate excise taxes as imposed by the state under chapter 82.45 RCW.

(6) ((~~As used~~))The definitions in this subsection((~~,~~))apply throughout this section unless the context clearly requires otherwise.

(a) "City" means any city or town ((~~and~~)).

(b) "Capital project" means those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative ((~~and/or~~))facilities; judicial facilities; river ((~~and/or~~))flood control projects or waterway flood control projects, or both by those jurisdictions that, prior to June 11, 1992, have expended funds derived from the tax authorized by this section for such purposes; ((~~and,~~)) until December 31, 1995, housing projects for those jurisdictions that, prior to June 11, 1992, have expended or committed to expend funds derived from the tax authorized by this section or the tax authorized by RCW 82.46.035 for such purposes; and technology infrastructure that is integral to the capital project.

((~~(7) From July 22, 2011, until December 31, 2016, a city or county may use the greater of one hundred thousand dollars or thirty~~‑~~five percent of available funds under this section, but not to exceed one million dollars per year, for the operations and maintenance of existing capital projects as defined in subsection (6) of this section.~~))

**Sec.**  RCW 82.46.035 and 2011 c 354 s 3 are each amended to read as follows:

(1) The legislative authority of any county or city must identify in the adopted budget the capital projects funded in whole or in part from the proceeds of the tax authorized in this section, and must indicate that such tax is intended to be in addition to other funds that may be reasonably available for such capital projects.

(2) The legislative authority of any county or any city that plans under RCW 36.70A.040(1) may impose an additional excise tax on each sale of real property in the unincorporated areas of the county for the county tax and in the corporate limits of the city for the city tax at a rate not exceeding one-quarter of one percent of the selling price. Any county choosing to plan under RCW 36.70A.040(2) and any city within such a county may only adopt an ordinance imposing the excise tax authorized by this section if the ordinance is first authorized by a proposition approved by a majority of the voters of the taxing district voting on the proposition at a general election held within the district or at a special election within the taxing district called by the district for the purpose of submitting such proposition to the voters.

(3)(a)(i) Except as provided otherwise by (a)(ii) of this subsection, revenues generated from the tax imposed under subsection (2) of this section ((~~must~~))may only be used by ((~~such~~)) counties and cities ((~~solely~~)) for: (A) Financing capital projects specified in a capital facilities plan element of a comprehensive plan; or (B) the maintenance and operation of capital projects. ((~~However,~~))

(ii) Revenues ((~~(a)~~))generated from the tax imposed under subsection (2) of this section that are: (A) Pledged by ((~~such~~)) counties and cities to debt retirement prior to March 1, 1992, may continue to be used for that purpose until the original debt for which the revenues were pledged is retired((~~,~~)); or ((~~(b)~~))(B) committed prior to March 1, 1992, by ((~~such~~)) counties or cities to a project may continue to be used for that purpose until the project is completed.

(4) Revenues generated by the tax imposed by this section must be deposited in a separate account.

(5) ((~~As used~~))The definitions in this subsection((~~,~~))apply throughout this section unless the context clearly requires otherwise.

(a) "City" means any city or town ((~~and~~)).

(b) "Capital project" means those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets((~~,~~)); roads((~~,~~)); highways((~~,~~)); sidewalks((~~,~~)); street and road lighting systems((~~,~~)); traffic signals((~~,~~)); bridges((~~,~~)); domestic water systems((~~,~~)); storm and sanitary sewer systems((~~, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks~~)); parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative facilities; judicial facilities; river flood control projects; and waterway flood control projects.

(6) When the governor files a notice of noncompliance under RCW 36.70A.340 with the secretary of state and the appropriate county or city, the county or city's authority to impose the additional excise tax under this section is temporarily rescinded until the governor files a subsequent notice rescinding the notice of noncompliance.

(7) From June 30, 2012, until December 31, 2016, a city or county ((~~may use the greater of one hundred thousand dollars or thirty~~‑~~five percent of available funds under this section, but not to exceed one million dollars per year, for operations and maintenance of existing capital projects as defined in subsection (5) of this section, and counties~~)) may use available funds under this section for the payment of existing debt service incurred for capital projects as defined in RCW 82.46.010. ((~~If a county uses available funds for payment of existing debt service under RCW 82.46.010, the total amount used for payment of debt service and any amounts used for operations and maintenance is subject to the limits in this subsection.~~))

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