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ANNEXATION TAX CREDIT

November 25, 2008

4   AN ACT Relating to the local sales and use tax that is credited against the state sales

5   and use tax for cities to offset municipal service costs to newly annexed areas; amending

6   RCW 82.14.415; and providing an effective date.

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

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

9   (1) The legislative authority of any city ((with a population less than four hundred

10   thousand and which)) that is located in a county with a population greater than six

11   hundred thousand that annexes an area consistent with its comprehensive plan required

12   by chapter 36.70A RCW((,)) may impose a sales and use tax in accordance with the

13   terms of this chapter. The tax is in addition to other taxes authorized by law and shall be

14   collected from those persons who are taxable by the state under chapters 82.08 and 82.12

15   RCW upon the occurrence of any taxable event within the city. The tax may only be

16   imposed by a city if:

17   (a) The city has commenced annexation of an area under chapter 35.13 or 35A.14

18   RCW having a population of at least ten thousand people prior to January 1, ((2010))

19   2015; and

20   (b) The city legislative authority determines by resolution or ordinance that the

21   projected cost to provide municipal services to the annexation area exceeds the projected

22   general revenue that the city would otherwise receive from the annexation area on an

23   annual basis.

24   (2) The tax authorized under this section is a credit against the state tax under chapter

25   82.08 or 82.12 RCW. The department of revenue shall perform the collection of such

26   taxes on behalf of the city at no cost to the city ((and shall remit)). The tax shall be

27   remitted to the city as provided in RCW 82.14.060.

28   (3)(a) Except as provided in (b) of this subsection, the maximum rate of tax any city

29   may impose under this section shall be ((0.2 percent for the total number of annexed

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1 ~~areas the city may annex. The rate of the tax imposed under this section is))~~:

2 __(i)__ 0.1 percent for each annexed area population that is greater than ten thousand and

3 less than twenty thousand((. The rate of the tax imposed under this section shall be));

4 __(ii)__ 0.2 percent for an annexed area ((which the)) population __that__ is greater than twenty

5 thousand.

6 __(b) 0.85 percent for an annexed area population that is greater than eighteen thousand__

7 __and the annexed area is annexed by a city that has officially designated the area a__

8 __potential annexation area and the annexed area is, or was prior to November 1, 2008,__

9 __officially designated as a potential annexation area by a city with a population greater__

10 __than four hundred thousand, in a county with a population over one million.__

11 __(4)(a) The maximum cumulative rate of tax a city may impose under subsection__

12 __(3)(a)(i) and (ii) of this section is 0.2 percent for the total number of annexed areas the__

13 __city may annex.__

14 __(b) The maximum cumulative rate of tax a city may impose under subsection__

15 __(3)(b) of this section is 0.85 percent and for the single annexed area the city may annex__

16 __and the amount of tax distributed to a city under subsection (3)(b) of this section shall not__

17 __exceed five million dollars per fiscal year.__

18 __(5)__ The tax imposed by this section shall only be imposed at the beginning of a fiscal

19 year and shall continue for no more than ten years from the date the tax is first imposed.

20 Tax rate increases due to additional annexed areas shall be effective on July 1st of the

21 fiscal year following the fiscal year in which the annexation occurred, provided that

22 notice is given to the department as set forth in subsection (((8))) __(9)__ of this section.

23 (((5))) __(6)__ All revenue collected under this section shall be used solely to provide,

24 maintain, and operate municipal services for the annexation area.

25 (((6))) __(7)__ The revenues from the tax authorized in this section may not exceed that

26 which the city deems necessary to generate revenue equal to the difference between the

27 city's cost to provide, maintain, and operate municipal services for the annexation area

28 and the general revenues that the cities would otherwise expect to receive from the

29 annexation during a year. If the revenues from the tax authorized in this section and the

30 revenues from the annexation area exceed the costs to the city to provide, maintain, and

1   operate municipal services for the annexation area during a given year, the city shall

2   notify the department and the tax distributions authorized in this section shall be

3   suspended for the remainder of the year.

4   (((7))) (8) No tax may be imposed under this section before July 1, 2007. Before

5   imposing a tax under this section, the legislative authority of a city shall adopt an

6   ordinance that includes the following:

7   (a) A certification that the amount needed to provide municipal services to the

8   annexed area reflects the city's true and actual costs;

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

10   (c) (((b))) The threshold amount for the first fiscal year following the annexation and

11   passage of the ordinance.

12   (((8))) (9) The tax shall cease to be distributed to the city for the remainder of the

13   fiscal year once the threshold amount has been reached. No later than March 1st of each

14   year, the city shall provide the department with a certification of the city's true and actual

15   costs to provide municipal services to the annexed area, a new threshold amount for the

16   next fiscal year, and notice of any applicable tax rate changes. Distributions of tax under

17   this section shall begin again on July 1st of the next fiscal year and continue until the new

18   threshold amount has been reached or June 30th, whichever is sooner. Any revenue

19   generated by the tax in excess of the threshold amount shall belong to the state of

20   Washington. Any amount resulting from the threshold amount less the total fiscal year

21   distributions, as of June 30th, shall not be carried forward to the next fiscal year.

22   (((9))) (10) The tax shall cease to be distributed to a city imposing the tax under

23   subsection (3)(b) of this section for the remainder of the fiscal year, if the total

24   distributions to the city imposing the tax exceed five million dollars for the fiscal year.

25   (11) The following definitions apply throughout this section unless the context clearly

26   requires otherwise:

27   (a) "Annexation area" means an area that has been annexed to a city under chapter

28   35.13 or 35A.14 RCW. "Annexation area" includes all territory described in the city

29   resolution.

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

1   (c) "Municipal services" means those services customarily provided to the public by

2   city government.

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

4   30th.

5   (e) "Threshold amount" means the maximum amount of tax distributions as

6   determined by the city in accordance with subsection (((6))) (7) of this section that the

7   department shall distribute to the city generated from the tax imposed under this section

8   in a fiscal year.

9   (f) "Potential Annexation Area" means one or more geographic areas that a city

10   has officially designated for potential future annexation, as part of its comprehensive plan

11   adoption process under the state Growth Management Act, Chapter 36.70A RCW.

12   (12) Subsection (3)(b) of this section takes effect July 1, 2011.

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