

# Revenue Guide

FOR WASHINGTON COUNTIES



We will be updating this publication soon to reflect new 2019 legislation impacting county revenues. In particular:

- [ESSB 5272](#) (increasing E-911 sales tax authority from 0.1% to 0.2%)
- [EHB 1219](#) (REET 2 expenditures for homeless & affordable housing)
- [SHB 1406](#) (20-year affordable housing sales tax credit)

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*2019 re-write created in partnership with*

**The Center for Government Innovation, a service of the Washington State Auditor's Office**



*Disclaimer: This publication is presented for informational purposes only and does not represent criteria for legal or audit purposes. It is intended to provide county staff and officials with an overview of their available revenue options, restrictions on the use of such revenues, and key questions to consider. It is not intended to replace existing prescriptive guidance in the BARS Manual, issued by the State Auditor's Office.*

MRSC updates this publication each year as needed to reflect new legislation and other changes. To make sure you have the most recent version, please go to [mrsc.org/publications](https://www.mrsc.org/publications).

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- *Revenue Guide* reviewed, re-written, and re-published in its entirety.

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# Introduction

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The foundation of any county government is its fiscal health. The revenues it receives, both present and projected for the future, set the stage for discussing what services to provide as well as the level of those services – including the facilities, equipment, and infrastructure that will be needed.

MRSC's *Revenue Guide for Washington Counties* provides information on all the major revenue sources and most of the minor ones that are available to counties in Washington State. This guide is intended to help county elected officials and staff members by providing a comprehensive explanation of the county's revenue sources and potential new revenue options to support those services your county has determined are essential to its taxpayers. This guide is not an administrative manual – for that level of detail, you should refer to resources such as the Department of Revenue's *Property Tax Levies Operations Manual* or the *Tax Reference Manual on State and Local Taxes*.

The *Revenue Guide for Washington Counties* has been one of MRSC's core publications for many years. It was first published in 2001 with an update released in 2009. The current edition was completely rewritten and re-organized in 2019 to help clarify the multitude of often confusing revenue options, as well as to include new and additional revenue sources that were not addressed previously.

This publication has been written and researched by MRSC consultants, and any conclusions within this document are MRSC's and MRSC's alone. The primary authors are Toni Nelson, Government Finance Consultant, and Steve Hawley, Senior Communications Coordinator, with the final graphics and document assembly by Marissa Roesijadi, Senior Designer.

The Center for Government Innovation of the State Auditor's Office contributed funding for the 2019 re-write, as well as valuable review and feedback. We would particularly like to thank Kristen Harris and Sherrie Ard at SAO for their review and assistance throughout this process. We would also like to thank Alice Ostdiek at Stradling, Yocca, Carlson & Rauth, P.C. for her review of the property tax chapter, as well as all other individuals who provided feedback and assistance.

If you have any questions, comments, concerns, or suggestions regarding this document, please contact MRSC.

# How to Use this Document

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MRSC's *Revenue Guide for Washington Counties* is intended to help county staff members and elected officials better understand their existing revenue sources and potential options for new revenues. The document is organized by type of revenue:

- Property taxes
- Sales and use taxes
- Lodging taxes (hotel/motel tax)
- Real estate excise taxes (REET)
- Other excise taxes
- "State-shared" and federal revenues
- Departmental fees, charges, and reimbursements
- Other revenue sources
- Special taxing districts

However, there is also an appendix that provides a "menu" of the major revenue sources by program area, such as transportation revenues, law enforcement and criminal justice revenues, or unrestricted revenues.

We also provide a basic history of local taxing powers in Washington, as well as a series of in-depth questions to help you evaluate potential new revenue sources, whether voted or non-voted.

This document is designed to be viewed electronically or printed as a hard copy. However, viewing this document electronically will provide you with maximum interactivity and functionality. (We recommend Adobe's free [Acrobat Reader](#) software program to ensure all features work correctly.)

If you are viewing this document electronically, the table of contents is interactive, which allows you to click on any topic and go directly to that page. At the bottom left corner of each page is a navigation menu, where you can click to the next or previous page, return to the last page you viewed, or go back to the table of contents. Throughout this guide, you will also find many hyperlinks that will take you to other sections of the document or online resources such as RCWs or helpful resources.

You can also use Ctrl-F (Windows) or Command-F (Mac) to search for specific keywords within this document.

MRSC will update this publication each year as needed to reflect new legislation, changes in interpretation made by court decisions or Attorney General opinions, and other changes as appropriate. To make sure you are using the most up-to-date version of this publication, please visit [mrsc.org/publications](http://mrsc.org/publications). There is a revision history near the beginning of this document that summarizes the recent changes.

If you have any questions, comments, concerns, or suggestions regarding this document, please contact MRSC.

# A Brief History of Local Taxing Power in Washington<sup>1</sup>

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Local governments in Washington State do not possess inherent taxing authority and must obtain the authority to impose taxes and fees from the state constitution and/or statutes adopted by the state legislature.

At the most basic level, there are two categories of taxes in Washington: property taxes and excise taxes. Property taxes are the oldest form of taxation in Washington and are the largest single revenue source for many local governments. Excise taxes are the broadest category of taxes and represent all other forms of taxes except for property tax, with sales taxes being the most significant excise tax for local governments.

The history of local government taxing power in Washington dates back to territorial days, and up until the early 1930s property taxes were the predominate form of revenue. The first state legislative session in 1890 also authorized first, second, third, and fourth class cities to impose business license taxes, and by 1932 Seattle was levying an occupation tax which is believed to be the first instance of a city imposing a business & occupation (B&O) tax.

During the Great Depression of the 1930s, significant changes were made to the array of taxes that were imposed by Washington State, some of which significantly impacted local government. The first change was placing a limit on the cumulative rate of property taxes that could be imposed upon the taxpayer in any given year – people’s Initiative 64, which reduced property taxes by almost 50%. This resulted in the second most significant change in state taxing power – the imposition of a variety of excise taxes. The Revenue Act of 1935 reduced the state’s dependency upon property tax by authorizing a wide array of excise taxes, including a retail sales tax and new business and occupation taxes.

However, this additional excise authority was only granted to the state. It was not until 1970 that the state finally provided legislative authority to cities and counties allowing them to impose a sales and use tax of 0.5% for general local government purposes. In 1982, the legislature authorized cities and counties to impose a second 0.5% on retail sales for general government purposes, resulting in a combined total of 1% that is still in place today. During this same legislative session, there were new restrictions placed on cities’ authority to impose B&O and utility taxes. These significant changes in taxing authority provided many local governments with opportunities to diversify their revenue streams.

Over the course of the past several decades, the state legislature has authorized counties to impose other sales taxes and excise taxes for specific purposes, all of which will be discussed in the following pages of this *Revenue Guide*.

Property taxes and excise taxes are imposed differently – property taxes are based upon changing

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<sup>1</sup> This information comes primarily from [The Closest Governments to the People: A Complete Reference Guide to Local Government in Washington State](#), by Steve Lundin and edited by the Division of Governmental Studies and Services at Washington State University. A copy of the full document is posted on the MRSC website.

property values and must be re-calculated and re-imposed every year, while excise taxes, once adopted, remain in effect on all taxable events that occur now and in the future.

Property taxes have also seen a number of additional restrictions over the past century, beyond the cap on the cumulative property tax rate adopted in the 1930s. In 1971, a “106% levy lid” on property tax increases from one year to the next was enacted, which limited the total amount of property tax revenue local governments could generate each year. In 2001, voters approved Initiative 747, ultimately resulting in legislation that reduced the limit on annual increases for property tax levies to 1% – also known as the “101% levy lid,” which is still in effect today.

In addition to property taxes and excise taxes, many analysts recognize a third category of taxes: income taxes, which have been imposed by the vast majority of states as well as a number of cities around the country. However, income taxes are not currently used at either the state or local levels in Washington. At the same time that voters placed the first restrictions on property taxes during the Great Depression, voters also approved a statewide graduated income tax (Initiative 69). However, a divided state Supreme Court soon struck the initiative down as unconstitutional, ruling that an income tax was a property tax and that, as such, a graduated income tax violated the uniformity clause of the state constitution.<sup>2</sup> Later attempts to establish an income tax were also unsuccessful. In 1984, the state legislature enacted [RCW 36.65.030](#), which prohibits any city or county from levying a tax on “net income.”

Local government revenues have evolved significantly throughout Washington’s history and continue to do so today. This *Revenue Guide* provides the most current and up-to-date information, but each legislative session brings new thoughts, ideas, and concepts that result in changes and additional options. We will update this guide as needed to reflect those changes.

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<sup>2</sup> This interpretation has been criticized by legal scholars.

# Key Considerations for Evaluating Revenue Sources

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There are several factors to consider when analyzing if it's in the county's best interests (both fiscal and political) to impose new taxes and fees. Local governments cannot necessarily provide all of the services requested by the public, and of all the revenue options available, there are some that will meet your county's goals and objectives and others that will not.

To that end we have provided some key questions to consider when identifying and evaluating potential revenue sources. Answering these questions can help you more clearly articulate your county's revenue goals.

- **What do you need the revenue for?** Some revenue sources are unrestricted and may be used for any lawful governmental purpose. Others are restricted to specific purposes under state law. Some may be imposed permanently, while others are temporary. Are you looking to increase your general fund (current expense) budget or pay for basic governmental services, operations, or maintenance? Creating a new program or preparing for a major capital project? Bridging a temporary revenue shortfall or replacing lost funding? Are you planning to supplant (replace) existing funding and re-structure how a program is financed? If so, make sure you read the statutes carefully, as some revenue sources specifically restrict or prohibit supplanting.
- **How much revenue do you need to generate?** Your local revenue capacity depends on factors such as statutory limitations, your local economy, and your demographic profile. For instance, is your county largely rural, or does it have residential and commercial centers with businesses and retail sales? Do you have hotels and tourist attractions? How active is your real estate market?
- **Who will pay and who will benefit?** Will the taxes or fees be paid by local property owners? Shoppers? Tourists? Real estate buyers and sellers? Vehicle owners? Property developers? Will the revenue source result in an overall tax increase, or is it a credit against an existing state tax? Who will benefit from the additional spending?
- **Will the revenues/expenditures impact the entire county, or just unincorporated areas?** Some revenue sources may be imposed countywide, while others are limited by statute to the unincorporated areas. If the revenue source is countywide, are the revenues shared with the cities? Can cities also enact the same revenue source, and if so would it be credited against the county's revenue, reducing the funding the county receives?
- **Do you need voter approval?** If so, you must plan ahead and consider additional factors such as election timing, election costs, and voter turnout as described on the next page.
- **When do you need the revenue?** Some revenue sources have certain deadlines set by state statute. For instance, property taxes may only be levied once a year and must be certified to the county assessor by November 30 for the forthcoming year, while sales tax rates may only change on January 1, April 1, or July 1 and the state Department of Revenue must receive notice at least 75

days in advance. You may have to wait several months before you start receiving these additional revenues, or longer if you time it poorly. It pays to include this analysis in your planning process.

- **Is the revenue source subject to possible referendum?** You can't please everyone, but presumably you need a certain level of support from local residents or businesses. If your county is a "home rule" charter county, some revenue sources could be subject to referendum under the powers of initiative and referendum. Even if your county is a non-charter county and does not otherwise have powers of initiative and referendum, some revenue options are still subject to referendum as prescribed by statute.
- **What are the limitations?** For instance, property tax revenues are generally limited to a 1% annual increase, even if your assessed valuation is increasing faster than 1%, and certain property tax levies could potentially be reduced through prorationing. Sales taxes have no such limitations but can be significantly impacted during economic downturns. And "state shared" revenues could be reduced or eliminated during any legislative session, particularly if state revenues are declining.
- **Are there any unique statutory requirements?** Some revenue sources may have other specific statutory requirements – for instance, requiring the creation of an advisory committee, establishing a slightly different tax base, etc.

## KEY CONSIDERATIONS FOR VOTED REVENUE SOURCES

If your revenue source requires voter approval, there are additional considerations, such as:

- **When is the filing deadline?** For voted revenue sources, you must consider not only the notification deadlines (such as certifying property taxes to your county assessor and notifying DOR of sales tax rate changes), but also the election dates and filing deadlines discussed below.

To ensure timely receipt of funds, you must work backwards. For instance, if you want to increase next year's property tax revenues through a levy lid lift: property taxes must be certified to the county assessor no later than November 30, which means the levy lid lift must appear before voters no later than the general election in early November, which means you must file notice with the county auditor no later than the date of the primary election in early August. If you wait for "budget season" in August or September to start considering the levy lid lift, it will be too late – you will have missed the deadline, and any potential receipts from the levy lid lift will be delayed for an entire year.

See [page 8](#) for a summary of the various deadlines.

- **What are the approval requirements?** Does the ballot measure require a simple majority (50% plus one), such as a sales tax or levy lid lift? Or does it require a 60% supermajority, like bond measures, excess O&M levies, and certain EMS levies? Are there minimum validation (voter turnout) requirements?
- **When should the measure appear on the ballot?** There are four possible election dates for local governments in Washington – special elections in February and April, the primary election in August, and the general election in November ([RCW 29A.04.330](#)). Most measures may appear on

the ballot at any one of those elections, but there are a couple exceptions (such as public safety sales taxes, which by statute may only appear at a primary or general election).

Voter turnout will almost certainly be highest in November and lowest in February and April, and the composition of the electorate may differ for some jurisdictions. Election timing may also affect election costs and the timing of receipts.

- **What other measures or candidates are appearing on the ballot?** Ask around to find out what other ballot measures may be appearing before your county’s voters. It’s possible you might not want to go head-to-head with certain ballot measures, as voters might not like voting on too many taxes at the same time. Alternatively, you might want to “ride the coattails” of a popular measure or candidate by appearing on the same ballot.
- **How have other ballot measures fared recently?** You can research local ballot measures across the state at MRSC’s [Local Ballot Measure Database](#), which we update after every election once counties certify the results. For revenue measures, you can filter by statutory authority (sales taxes, property taxes, levy lid lifts, etc.), government type (such as city or county), subject (criminal justice, emergency medical services, affordable housing, etc.), or even by county. You may want to contact jurisdictions that have attempted similar measures to gain their insight.
- **What will you do if the ballot measure fails?** Will you abandon your attempt or go back to the drawing board? Will you be forced to cut services or lay off employees? Will you submit a scaled-back version to voters in the hopes they will pass it next time?

Or will you submit the exact same measure to voters a second time, in the hopes that the result will be different due to changes in turnout, the composition of the electorate, enhanced public outreach by support groups, or news media coverage? For instance, some jurisdictions that place an item on the primary election ballot will file an identical (or very similar) resolution for the November general election. If the measure succeeds in August it is simply removed from the November ballot, but if it fails it will appear before voters again in November.

- **How much will the election cost?** It costs money for counties to administer elections, and counties pass those costs along to the jurisdictions holding the elections (see [RCW 29A.04.410](#)). These costs include postage and printing for the ballots and voters’ pamphlets, temporary election workers and staffing, supplies, transportation, required elections notices, and administrative overhead costs. If the county has measures or candidates appearing on the ballot, it is responsible for its share of the costs.

If your county already has other county measures or candidates appearing on the same ballot – such as elections for county commissioners and other county elected officials, which typically occur at primary and general elections in even-numbered years<sup>3</sup> – the additional costs for a

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<sup>3</sup> Most county officials are elected in even-numbered years every four years per [RCW 36.16.010](#), with county commissioner elections staggered per [RCW 36.32.030](#). However, some charter county officials may be elected in odd-numbered years as established by county charter and pursuant to [RCW 29A.04.321](#).

ballot measure will be minimal. But if the county does not have other measures or candidates on the ballot and would not otherwise be conducting an election, the election costs will be significantly higher.

Election costs may also vary depending on whether you are submitting the measure at a special, primary, or general election. For example, special election costs may be higher than primary or general election costs because there are typically fewer local governments participating in special elections and sharing the costs. Contact your county auditor to get estimates.

- **What are the ballot title requirements?** The ballot title is the actual text of the measure that will appear on voters' ballots. The ballot title must be written by the county prosecuting attorney and must comply with [RCW 29A.36.071](#), including a 75-word limit for most measures. However, some revenue sources have additional ballot title requirements set by statute.
- **Will your county prepare informational materials?** [RCW 42.17A.555](#) prohibits county elected officials and employees from using "public facilities" to promote or oppose any ballot proposition. Broadly speaking, this means county staff and officials cannot support or oppose a ballot proposition during work hours, within their official capacities, or using county supplies, equipment, funds, or facilities. However, counties may prepare and distribute fact sheets or other informational materials for voters if such information is fair and objective and the county shares the information via normal, customary means of providing information. For more information, see our webpage on [Use of Public Facilities to Support or Oppose Ballot Propositions](#).

## KEY DEADLINES FOR VOTED PROPERTY TAXES AND SALES TAXES

As mentioned previously, if you are considering a voted revenue increase you must plan ahead and keep the various statutory requirements and deadlines in mind. Here are key dates to remember.

- **Property tax levies** are set on an annual basis. All property taxes for the upcoming year must be certified to the county assessor no later than November 30 ([RCW 84.52.070](#)).
- **Sales tax rate changes** may only take place on January 1, April 1, or July 1, and may not take effect until 75 days after the state Department of Revenue receives notice of the change ([RCW 82.14.055](#)).

The election dates and filing deadlines are established by [RCW 29A.04.330](#). To place an item on the ballot for the February or April special elections, your jurisdiction must file the resolution at least 60 days before the election date. For the primary election, you must file the resolution no later than the Friday immediately before the first day of regular candidate filing in May. And for the general election, you must file the resolution no later than the date of the August primary election.

On the next page is a quick summary, assuming the county promptly notifies DOR of any sales tax changes and certifies its levy to the county assessor by November 30.

<b>Election</b> ( <a href="#">RCW 29A.04.330</a> )	<b>Filing deadline</b> ( <a href="#">RCW 29A.04.330</a> )	<b>Approved sales tax increases</b> <b>take effect</b> ( <a href="#">RCW 82.14.055</a> )	<b>Approved property tax increases</b> <b>take effect</b> ( <a href="#">RCW 84.52.070</a> )
<b>February special</b>	<b>Early-to-mid December</b>	<b>July 1</b> of election year	<b>Next year</b>
<b>April special</b>	<b>Late February</b>	<b>January 1</b> of next year	<b>Next year</b>
<b>August primary</b>	<b>Early-to-mid May</b>	<b>January 1</b> of next year	<b>Next year</b>
<b>November general</b>	<b>Date of August primary</b>	<b>April 1</b> of next year	<b>Next year</b>

# Property Taxes

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Property taxes are the primary source of revenue for counties. Counties have a countywide current expense (general) levy, as well as a road levy for the unincorporated areas, but there are also a few additional property tax options that may only be used for specific purposes. This chapter will discuss the property tax authority provided to counties.

Washington's "budget-based" property tax structure is very complicated. We plan to limit our discussion of property taxes to what county officials and staff members really need to know in order to develop property tax levy projections and to consider potential options, and even that is pretty complicated.

For a for a more detailed look at property taxes, refer to the state Department of Revenue's [Property Tax Publications](#), and particularly the [Property Tax Levy Manual](#).

## WHAT IS A BUDGET-BASED PROPERTY TAX?

Perhaps the most important concept to understand regarding Washington's property tax system is that it is a "budget-based" property tax.

This means that counties and other taxing districts, as part of their annual budget process, must first establish the total dollar amount of property tax revenue they wish to generate for the upcoming year, subject to several restrictions. Once the total dollar amount is established, the county assessor calculates the levy rate – the rate that each property owner must pay – based on the total assessed valuation of all properties.

This "budget-based" process is the reverse of most other states in the country. Almost every other state uses a "rate-based" property tax system, in which governments establish the levy rate that each property owner must pay, which is then multiplied by the assessed value to determine the total dollar amount of revenues generated.

There are three main components to the property tax calculation: the levy amount, the assessed value, and the levy rate.

## Levy Amounts vs. Levy Rates

To understand this budget-based system, and in particular the various limitations on how much property tax revenue local governments can generate, it is extremely important to understand the difference between *levy amounts* and *levy rates*. Some limitations are based on levy rates, while others are based on levy amounts, and the two are often confused.

The **levy amount** – sometimes referred to as simply the "levy" – is the total dollar amount of property taxes to be collected in one year. In the example on the next page, the levy amount is *\$15 million*.

The **levy rate** is how much any individual property owner owes, expressed as a dollar amount per \$1,000 assessed value. In the example, the levy rate is *\$1.50 per \$1,000 assessed valuation*.

Under the budget-based system, the county establishes its desired levy amount first, and then the county assessor uses the assessed valuation (discussed in more detail below) to calculate the subsequent levy rate. This formula is expressed as:

$$\text{Levy Amount} \div (\text{Assessed Value} \div 1,000) = \text{Levy Rate per } \$1,000 \text{ AV}$$

For example:

Levy amount requested by county for current expense fund	÷	(Countywide assessed value ÷ 1,000)	=	Levy rate
\$15 million	÷	(\$10 billion ÷ 1,000 = \$10 million)	=	\$1.50 per \$1,000 AV

However, there are multiple restrictions placed on how fast the levy *amount* can increase, as well as maximum levy *rates* for individual levies (such as county current expense levies, road levies, or EMS levies) and maximum *aggregate (combined) levy rates*. These restrictions are all intended to protect citizens from excessive taxation, but they also limit the amount of property tax revenue that local governments can generate. The property tax process can be complicated and confusing, but we will do our best to explain it in more detail throughout this chapter.

## Assessed Value

The other primary factor in determining the levy rate each year is the assessed value. Property taxes are assessed and collected at the county level. The amount that each property owner pays, and the total property tax revenue a county can generate, depends in large part on the value of the properties within the county, known as the **assessed value** or **assessed valuation** and commonly abbreviated as **AV** or **A/V**.

The assessed valuation is the true and fair value as provided in Article VII, §2 of the WA State Constitution and further defined in [Chapter 458-07 WAC](#), which states that “true and fair value” means market value and is the amount of money a buyer of property would pay to a willing seller.

The county assessor’s office is responsible for assessing all property located wholly within the county, including both the incorporated areas (cities and towns) and the unincorporated areas of the county. In determining true and fair value, the assessor may use a sales (market data), cost, or income approach, or a combination of the three approaches ([WAC 458-07-030](#)). In addition, the state Department of Revenue is responsible for assessing intercounty, interstate, and foreign utility company property (known as **state-assessed utilities**).

Counties must update assessed valuations for all properties every year, with physical inspections of each property at least once every six years ([RCW 84.41.030](#) and [84.41.041](#)). Most counties conduct inspections on a six-year cycle, meaning that they inspect roughly one-sixth of the properties within the county each year and update their assessed values accordingly. A few counties use a four-year inspection cycle and inspect roughly one-quarter of the properties each year.<sup>4</sup> The annual revaluations in between each inspection are estimates based on statistical analysis and market data.

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<sup>4</sup> As of 2016, 35 counties inspected properties on a six-year cycle, while four counties (Chelan, Ferry, Pend Oreille, and Wahkiakum) used a shorter four-year inspection cycle.

The levy rate for any taxing district must be uniform for each property within its boundaries (article VII, section 2 of the Washington State Constitution). That is to say, a county's current expense levy rate per \$1,000 AV must be the same for each property countywide (including incorporated areas), and the county's road levy rate per \$1,000 AV must be the same for each property within the unincorporated county.<sup>5</sup>

State law also establishes a separate valuation system for certain agricultural, timber, and open space land based on "current use" value, which is lower than the "true and fair value."<sup>6</sup> In addition, all properties owned by federal, state, tribal, and local governments (municipal corporations); public and private schools; and churches are exempt from property taxes.

The county assessor must notify each taxing district within the county, including the county's legislative authority and those county officers authorized to levy taxes for any taxing district coextensive with the county, of its total assessed value before November 30, so the taxing district can calculate its levy amounts for the upcoming year and certify them to the county assessor by November 30 (see [page 71](#)).

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<sup>5</sup> However, there may be some exceptions for senior, disabled, or low-income residents. There are also certain tax abatement programs that reduce a property's taxable value to provide financial incentives for economic development or historic preservation.

<sup>6</sup> Current use values are permitted under article VII, section 11 of the Washington State Constitution. See also [chapter 84.34 RCW](#) and [chapter 458-30 WAC](#).

## MAXIMUM AGGREGATE LEVY RATES

There are several different limitations on the maximum levy rate (per \$1,000 AV) that counties and other local governments may impose on property located within their jurisdiction. Some of the limits are aggregate and limit the total property tax burden on property owners, while others establish maximum levy rates for specific types of levies such as the county current expense and road levies, EMS levies, or conservation futures levies.

This section will discuss the aggregate (total combined) levy limitations. The rest of the property tax chapter contains information on the various types of levies and their maximum levy rates.

### Tax Code Areas

To understand maximum aggregate levy rates, it is important to understand the relationship and difference between “taxing districts” and “Tax Code Areas.”

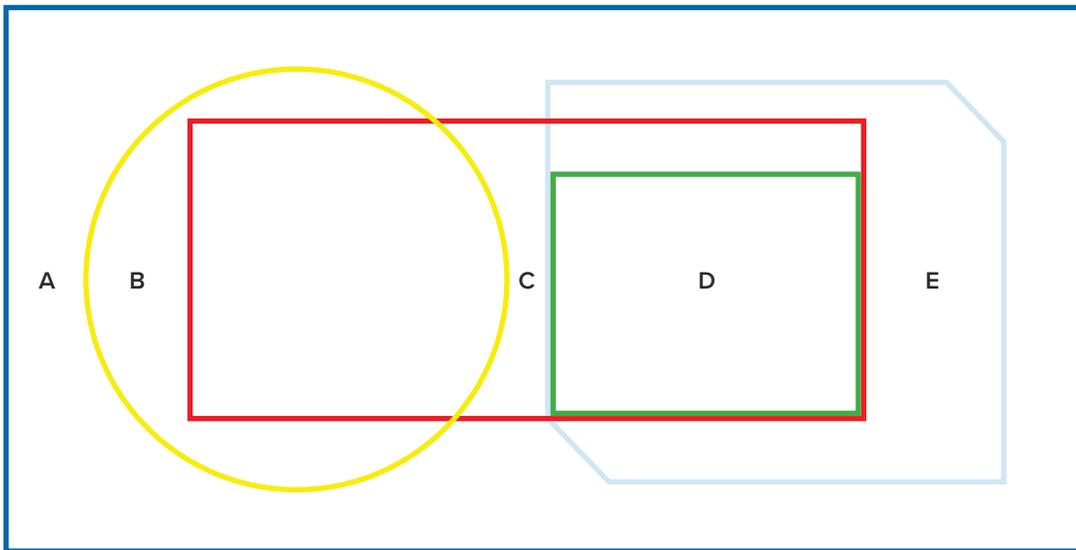
- **Taxing districts** are individual governmental units with property tax authority, such as a county, city, fire protection district, or library district. Governmental units *without* property tax authority (such as public transportation benefit areas) are not considered taxing districts for these purposes.
- **Tax Code Areas, or TCAs,** are unique combinations of overlapping taxing districts.

To demonstrate how multiple taxing districts overlap to form unique Tax Code Areas, see the example on the next page. This example shows a hypothetical county with a city and several taxing districts (fire, library, and public hospital). The districts overlap to form seven different Tax Code Areas, no two of which are the same. (Note that the county itself is actually two separate taxing districts – one for the current expense levy, which is imposed countywide, and one for the road levy, which is only imposed within unincorporated areas.)

Of course, in reality the picture is often much more complicated, as there are many additional taxing districts that may be involved such as school districts, park districts, cemetery districts, port districts, public utility districts, EMS districts, and more. But the same general principles will still apply.

According to the state Department of Revenue, there are approximately 3,300 unique Tax Code Areas throughout the state as of 2018, ranging anywhere from five within Garfield County to over 550 within King County. The number of TCAs within each county depends on the number of taxing districts within that county, as well as how they overlap geographically, since each district may have different service boundaries.

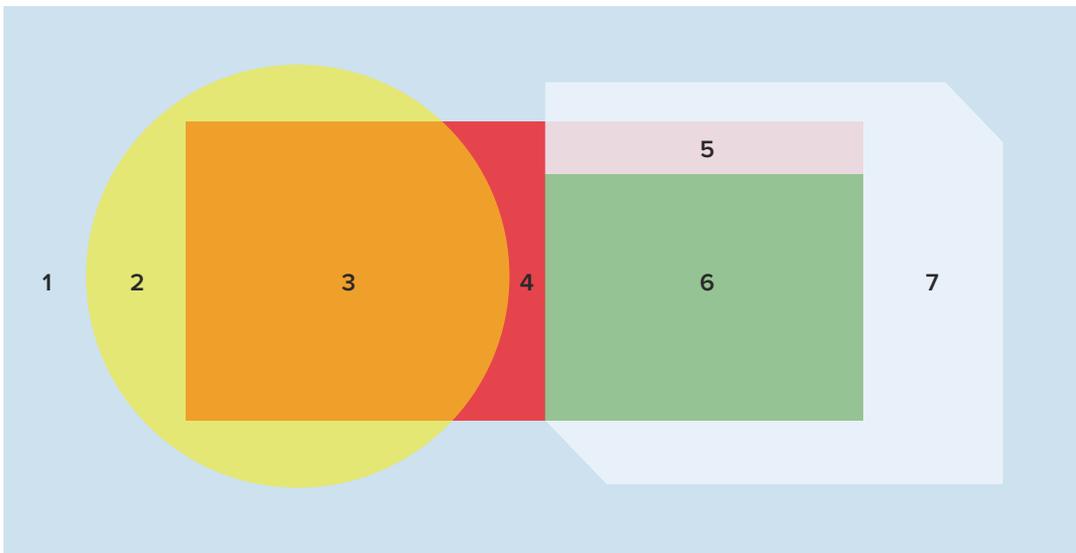
## TAXING DISTRICTS EXAMPLE



- A County\*
- B Public Hospital District
- C Fire District
- D City
- E Library District

\*County current expense levy is countywide, but county road levy is only in unincorporated areas

## TAX CODE AREAS



Taxing District	Belongs to Tax Code Area(s)						
	1	2	3	4	5	6	7
County Current Expense	X	X	X	X	X	X	X
County Road	X	X	X	X	X		X
City						X	
Fire District			X	X	X	X	
Public Hospital District		X	X				
Library District					X	X	X

Since Washington uses a budget-based property tax system (see [page 10](#)), each taxing district establishes its desired levy amount for the upcoming year during the budget process. The levy rate for that taxing district is then calculated based on the assessed valuation within that taxing district.

Once the levy rate has been determined for each taxing district, the levy rates are added together within each TCA. This provides a total (aggregate) levy rate that each property owner within the TCA must pay.

As noted earlier, the levy rate per \$1,000 AV for any individual taxing district (city, county, etc.) must be uniform throughout the district, meaning each property owner pays the same rate. Similarly, the aggregate (total combined) levy rate within each Tax Code Area also must be uniform.<sup>7</sup>

However, different properties within a single taxing district may belong to different Tax Code Areas, and the aggregate levy rate may vary considerable between TCAs.

State law and the state constitution have established two limitations on the maximum aggregate levy rate within any individual Tax Code Area: the \$10 constitutional limit (which includes both the state and local governments) and the \$5.90 local government limit (which applies to most, but not all, local government levies).

### **\$10 Constitutional Limit**

Article 7, section 2 of the Washington State Constitution (also codified at [RCW 84.52.050](#)) limits the total regular property tax rate on any individual property (i.e., within any individual Tax Code Area) – including state, county, city, and most local government property taxes – to 1% of the property’s true and fair value. Since the levy rate is expressed as a dollar amount per \$1,000 assessed value, and since 1% of a property’s value is equivalent to \$10.00 per \$1,000 assessed value, this is often referred to as the \$10 limit.

To limit the confusion between the aggregate levy rate limit and the 1% inflation increase allowed each year (see [page 50](#)), we will refer to the constitutional levy rate limit as the \$10 limit.

Almost every property tax levy in the state is subject to the \$10 constitutional limit. However, the state constitution establishes three important exceptions:

- Port districts and public utility districts are exempt from the \$10 limit.
- Any taxing district may exceed the \$10 limit with a voter-approved “excess levy” for maintenance and operations purposes, which for counties and most other jurisdictions<sup>8</sup> may only be approved one year at a time (see [page 45](#)).
- Any taxing district may exceed the \$10 limit for the repayment of voter-approved general obligation debt, until the debt is repaid (see [page 47](#)).

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<sup>7</sup> This does not mean the tax bill is the same for all property owners, however. The levy rate is multiplied by the assessed value for each individual property to determine the tax bill. Since different properties have different assessed values, each property owner within the same Tax Code Area must pay the same levy rate but will owe a different amount of tax.

<sup>8</sup> Fire districts and school district are the only local governments authorized to impose a multi-year excess levy. All other taxing districts, including counties, cities, and towns, may only impose one-year excess levies.

Everything under the \$10 limit is generally referred to as a “regular” levy. Any levies above the \$10 limit, which require voter approval, are generally referred to as “excess” levies. The term “special” may be used to describe any regular or excess levy that is levied for a specific purpose.

Of this \$10, no more than \$3.60 may be imposed by the state<sup>9</sup> ([RCW 84.52.065](#)) and no more than \$5.90 may be used by most local governments (see below). That adds up to a maximum of \$9.50, which leaves at least \$0.50 extra that may be used for certain local government levies outside the \$5.90 limit.<sup>10</sup>

### **\$5.90 Local Limit**

By statute, the aggregate (total) regular levy rate for most local governments combined – including “senior taxing districts” such as cities and counties, as well as “junior taxing districts” such as fire districts and park districts – may not exceed \$5.90 per \$1,000 assessed valuation within any individual Tax Code Area ([RCW 84.52.043](#)). This \$5.90 limitation is a subset of the \$10 constitutional limit – in other words, all levies that are subject to the \$5.90 statutory limit are also subject to the \$10 constitutional limit.

However, this statute also provides several exemptions. The following local levies *are* subject to the \$10 constitutional limit but are *not* subject to the \$5.90 local limit:

- Affordable housing levies
- County conservation futures levies
- County criminal justice levies
- County ferry district levies
- Emergency medical services (EMS) levies
- Up to \$0.25 of a fire district or regional fire authority levy, if protected from prorationing by the legislative body
- Regional transit authority levies (Sound Transit)

There are also a few other, narrower exemptions, including certain flood control zone levies, a portion of metropolitan park district levies for metropolitan park districts with a population of 150,000 or more (with voter approval), and King County’s transit levy.

There are four types of local government levies that are not subject to either the \$5.90 or \$10 limits:

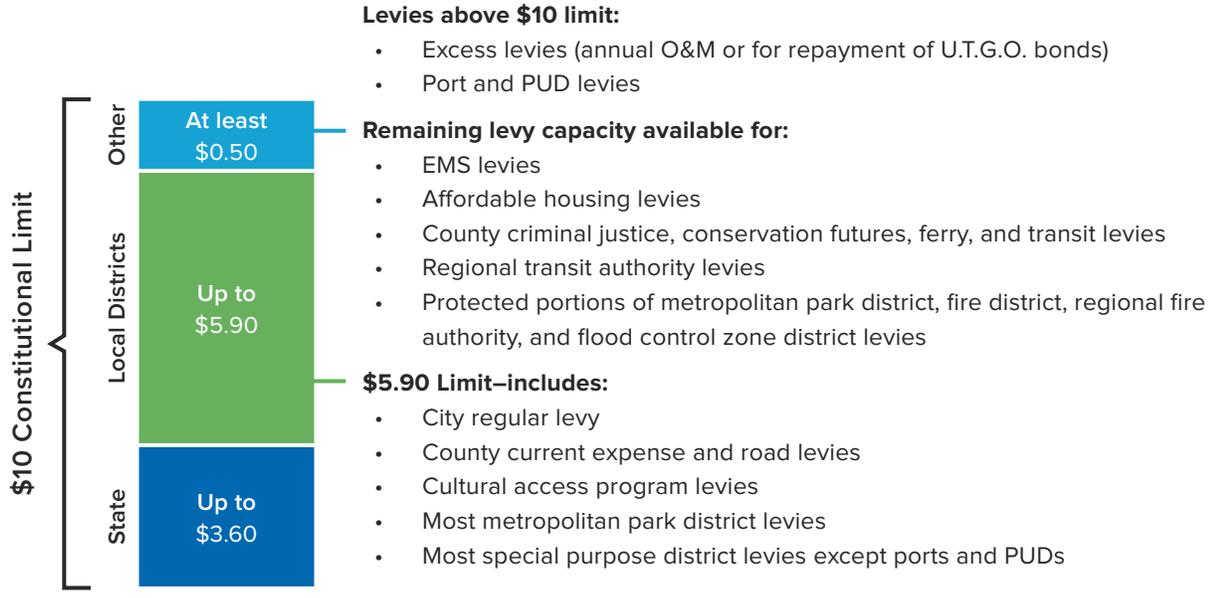
- General obligation (G.O.) bond excess levies
- Excess maintenance & operation levies
- Port district levies
- Public utility district levies

The chart on the next page demonstrates both the \$10 constitutional and \$5.90 local government limits.

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<sup>9</sup> In 2017 and 2018, the state Legislature temporarily adjusted the state levy rate to provide additional funding for the state’s share of K-12 education. The maximum levy rate in 2019 is \$2.40/\$1,000 AV and in 2020 and 2021 is \$2.70/\$1,000 AV. In 2022, the maximum rate returns to \$3.60/\$1,000 AV.

<sup>10</sup> In reality, there will be more than \$0.50 available if the state is levying less than its maximum \$3.60 and/or the local districts are levying less than the maximum \$5.90.



## Prorating

Once each taxing district establishes its desired levy amount for the upcoming year, no later than November 30, the county assessor calculates the levy rate for each taxing jurisdiction based on the assessed valuation within that jurisdiction. The county assessor then adds up the levy rates for each Tax Code Area.

If either the \$10 constitutional limit or the \$5.90 statutory limit is exceeded within any individual Tax Code Area, the county assessor must reduce the local levies to \$10 or \$5.90 according to the statutory formula found in [RCW 84.52.010](#), a process known as “prorating.” Prorating essentially establishes a levy hierarchy, and levies on the lowest rungs of the ladder are reduced or eliminated until the \$10 or \$5.90 limit is no longer exceeded. The formulas for prorating depend on which limit – \$10 or \$5.90 – was exceeded. (Remember that certain levies are exempt from the \$5.90 or \$10 limitations and are not counted for those purposes.)

First, the county assessor must check to make sure that the \$5.90 local limit has not been exceeded within any Tax Code Area. If the \$5.90 limit has been exceeded, the assessor must reduce the affected levies to a total combined rate of \$5.90.

After the assessor has checked the \$5.90 limit and, if necessary, conducted any prorating, the assessor must then make sure the \$10 constitutional limit has not been exceeded. If the \$10 limit has been exceeded within any Tax Code Area, the assessor must reduce the affected levies to a total combined rate of \$10.

The prorating order for both the \$5.90 and \$10 limits is shown on the next page. In general, the county current expense and road levies are protected from prorating. However, some other county levies may be subject to prorating – most notably, if the county is using a road levy shift (see [page 26](#)).

Since the levy rate within each taxing district must be uniform, any taxing district affected by prorating must reduce its levy throughout the entire district, and not just within the affected Tax Code Area. For instance, if the county has a road levy shift in place and the \$5.90 limit has been exceeded within one single Tax Code Area – no matter how small – the county must reduce, eliminate, or “buy down” (see [page 20](#)) its road levy shift throughout the entire county, not just the individual TCA.

For a more detailed discussion of prorating, including examples, refer to the [DOR Levy Manual](#).

## Property Tax Prorating Order (RCW 84.52.010)

*\$5.90 reductions take place first, followed by \$10 reductions*

Levy Type	\$5.90 Reduction Order	\$10 Reduction Order
(a) County road levy shift*	1st	1st
(b) City fire pension levy* – <i>only if city is annexed to fire/library district</i>		
Flood control zone district – <i>up to \$0.25 if protected under RCW 84.52.816</i>	—	2nd
King County transit levy	—	3rd
(a) Fire protection district – <i>up to \$0.25 if protected under RCW 84.52.125</i>	—	4th
(b) Regional fire authority – <i>up to \$0.25 if protected under RCW 84.52.125</i>		
County criminal justice	—	5th
County ferry district	—	6th
Metropolitan park district of 150,000+ population – <i>up to \$0.25 if protected under RCW 84.52.120</i>	—	7th
(a) County land conservation futures	—	8th
(b) Affordable housing		
(c) EMS – <i>first \$0.20</i>		
EMS – <i>remaining \$0.30</i>	—	9th
Cultural access program	2nd	10th
(a) Park and recreation district		
(b) Park and recreation service area		
(c) Cultural arts, stadium, and convention district	3rd	11th
(d) City transportation authority (monorail)		
Flood control zone district – <i>portion not protected under RCW 84.52.816</i>	4th	12th
(a) Public hospital district – <i>first \$0.25</i>		
(b) Metropolitan park district – <i>first \$0.25, if not protected under RCW 84.52.120</i>		
(c) Cemetery district	5th	13th
(d) All other junior taxing districts not otherwise mentioned in this chart		
Metropolitan park districts created in 2002 or later – <i>remaining \$0.50</i>	6th	14th
(a) Fire protection district – <i>\$1.00 under RCW 52.16.140/RCW 52.16.160, if not protected under RCW 84.52.125</i>		
(b) Regional fire authority – <i>\$1.00 under RCW 52.26.140(1)(b) and (1)(c), if not protected under RCW 84.52.125</i>	7th	15th
(a) Fire protection district – <i>\$0.50 under RCW 52.16.130</i>		
(b) Regional fire authority – <i>\$0.50 under RCW 52.26.140(1)(a)</i>		
(c) Library district	8th	16th
(d) Public hospital district – <i>remaining \$0.50</i>		
(e) Metropolitan park districts created in 2001 or earlier – <i>remaining \$0.50</i>		
(a) County current expense levy		
(b) City regular (general fund) levy	9th	17th
(c) County road levy		
Regional transit authority	—	
State school levies	—	18th
(a) Port district		
(b) Public utility district		
(c) Excess levy	—	—
(d) G.O. bond levy		

\* Not officially considered “prorating” under RCW 84.52.010. However, neither a road levy shift (see RCW 84.52.043) nor a city firefighters’ pension fund levy (if the city is annexed to a library district, fire district, or regional fire authority – see RCW 41.16.060) may cause any other taxing district to have its levy reduced. These levies must be reduced, eliminated, or “bought down” before prorating takes place.

## Buy-Down Agreements

If either the \$5.90 or \$10 limits are going to be exceeded, state law allows taxing districts to potentially reduce the impacts of prorationing through the use of levy “buy-down” agreements ([RCW 39.67.010](#) and [RCW 39.67.020](#)). A buy-down agreement allows a taxing district to avoid prorationing by paying another taxing district to reduce its levy so that the \$5.90 or \$10 levy limits are no longer exceeded.

If a county levy is in danger of being reduced or eliminated through prorationing – such as a road levy shift or a flood control zone district levy – the county can potentially buy down the levy rate of a smaller taxing district within the affected Tax Code Area. We suggest buying down the levy rate of the jurisdiction with the lowest assessed valuation, which will minimize the county’s buy-down costs. In some cases, that may mean buying down the levy of a city or town, while in others it may mean buying down a special purpose district such as a park district, fire district, or cemetery district.

A levy buy-down also may be politically prudent in case a county levy increase, such as a levy lid lift, might cause the levy of a junior taxing district to be reduced through prorationing.

If a buy-down agreement is signed, the county must notify the governing bodies of every taxing district whose property tax levy could be adversely impacted by the agreement.

For examples of buy-down agreements, visit MRSC’s [Sample Document Library](#).

## Current Expense Fund Levy

### Quick Summary

- Primary source of property tax revenues for most counties – revenues are unrestricted and may generally be used for any lawful governmental purpose.
- Maximum levy rate is \$1.80, but may increase up to \$2.475 if using a road levy shift.
- Tax is imposed countywide, including both incorporated and unincorporated areas.

**RCW: 84.52.043(1)**; other statutes may apply

The current expense (general fund) levy is, for most counties, the single largest source of property tax revenues. Any county may impose a current expense levy up to \$1.80 per \$1,000 assessed value (**84.52.043(1)**). However, a county may divert some revenues from the road levy to the current expense fund primarily for the purpose of traffic law enforcement (see [page 29](#)) or increase its current expense levy up to \$2.475 per \$1,000 AV through a road levy shift (see [page 26](#)).

The current expense levy is imposed countywide, including the incorporated cities and towns, as opposed to the road levy which is only imposed in the unincorporated areas. This means properties in the unincorporated areas are subject to both the current expense and road levies, while properties located within a city or town are subject to the county current expense levy but not the road levy.

### Use of Revenues

Current expense levy revenues are generally unrestricted and may be used for any lawful governmental purpose. However, there are several other regular levies authorized or required by statute that are considered part of the current expense levy but are restricted to specific purposes. They are:

#### County Hospital Maintenance Levy

If the county has established a county hospital district under [chapter 36.62 RCW](#), it may impose a countywide property tax of up to \$0.50 per \$1,000 assessed value for hospital maintenance ([RCW 36.62.090](#)). This levy is imposed by the county legislative body and does not require voter approval.

#### County Lands Assessment Fund Levy

A county may impose a countywide property tax of up to \$0.125 per \$1,000 assessed value for special assessments of drainage improvement districts, diking improvements, and road improvements on county-owned property ([RCW 36.33.130](#) and [.140](#)). This levy is imposed by the legislative body and does not require voter approval.

#### Mental Health and Developmental Disabilities (MHDD) Levy

All counties must budget and levy a countywide property tax equivalent to \$0.025 (two and one-half cents) per \$1,000 assessed value to provide mental health services or community services for people with developmental disabilities ([RCW 71.20.110](#)). However, all or part of the funds collected from the MHDD levy may be transferred to the Washington State Department of Social and Health

Services to serve as matching funds for federal monies to provide and coordinate community services for persons with developmental disabilities and mental health services. For those counties that elect to transfer the MHDD levy to the state, the state must grant the county MHDD funds and those matching funds received from federal grants to community agencies within the county in compliance with the plan approved by the county.

The MHDD levy may be increased and/or reduced in direct proportion to the county's current expense/general fund regular levy. In other words, if your assessed valuation is increasing faster than 1%, this rate may be reduced in the same proportion as the current expense fund due to the 1% levy lid. Alternatively, if the certified levy for the county's current expense/general fund is increased or reduced from the preceding year's certified levy, the impacts of the levy increase/reduction must be the same percentage for the MHDD levy.

This levy is imposed by the legislative body and does not require voter approval.

### **River Improvement Fund Levy**

Any county may impose a countywide property tax of up to \$0.25 for flood control river improvements ([RCW 86.12.010](#)), including a comprehensive flood control management plan ([RCW 86.12.200](#)). This levy is imposed by the legislative body and does not require voter approval.

### **Veterans' Assistance (VA) Fund Levy**

All counties must impose a countywide property tax between \$0.01125 (one and one-eighth cent) and \$0.27 per \$1,000 assessed value for the purpose of creating a veterans' assistance fund ([RCW 73.08.080](#)) to fulfill the requirements of providing county veteran's assistance for indigent veterans and families ([RCW 73.08.010](#)). VA levy monies may only be used for veteran's assistance programs authorized by [RCW 73.08.010](#); burial or cremation of a deceased indigent veteran or deceased family member; or direct and indirect costs incurred for the administration of the VA fund. This levy is imposed by the legislative body and does not require voter approval.

### **Levy Lid Lifts**

If voters approved a levy lid lift (see [page 58](#)) for the current expense fund where the revenues were authorized for a specific purpose, the extra revenue resulting from the levy lid lift must be used for the purpose(s) stated in the ballot measure.

### **1% Annual Levy Limit**

The current expense levy is subject to the 1% annual "levy lid" (see [page 50](#)). If your county's assessed value is increasing more than 1% per year, excluding new construction and state-assessed utilities, your levy rate will begin to decrease as a result. However, if you are levying less than your statutory maximum rate, your county can potentially increase its regular levy above the 1% annual levy lid using non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### **Prorationing**

The current expense levy is subject to both the \$5.90 local limit and \$10 constitutional limit (see [page 13](#)). However, it is among the very last levies that would be ever subject to prorationing. In the event

that either the \$5.90 or \$10 constitutional limits are exceeded, there should be no impact on the county current expense levy, *unless* the county is using a road levy shift (see [page 26](#)), in which case there could be a significant budgetary impact because the road levy shift must be reduced, eliminated, or “bought down” before any prorationing can be calculated by the county assessor.

## County Road Levy

### Quick Summary

- Primary source of property tax revenues for county road fund.
- Revenues are restricted and must be used for roads.
- Maximum levy rate is \$2.25, but county legislative authority may divert some revenue or shift taxing authority to current expense fund through road levy diversions/shifts.
- Tax is only imposed in unincorporated areas and is not imposed within cities or towns.
- Does not require voter approval.

**RCW:** [84.52.043\(1\)](#), [36.82.040](#)

**Chapter 36.82 RCW** provides for county roads and bridges and establishes both a separate county road fund ([RCW 36.82.010](#)) as well as providing for a separate general property tax levy that is to be deposited into the road fund ([RCW 36.82.040](#)).

Any county may impose a road levy up to \$2.25 per \$1,000 assessed value for the county road district. The levy is imposed by the legislative body and does not require voter approval.

The road levy is imposed in the unincorporated areas only, unlike the current expense levy which is also imposed within incorporated cities and towns. This means properties in the unincorporated areas are subject to both the current expense and road levies, while properties located within a city or town are only subject to the county current expense levy.

The county road fund also has the authority to divert some revenues from the road levy to the current expense fund through a “road levy diversion” (see [page 29](#)) or shift some taxing authority from the road levy to the current expense levy through a “road levy shift” (see [page 26](#)).

### Use of Revenues

The road levy must be used for planning, constructing, altering, repairing, improving, and maintaining county roads, bridges, and wharves necessary for vehicle ferriage and other county transportation issues ([RCW 36.82.040](#)).

Other county transportation issues may consist of acquiring, operating, and maintaining machinery, equipment, quarries, or pits for the extraction of materials, and for the cost of establishing county roads, acquiring rights-of-way, and expenses associated with the operation of the county engineering office.

County road purposes also include the construction, maintenance, or improvement of park and ride lots and the removal of barriers to fish passage related to county roads. The use of county road funds beyond the county right-of-way for activities associated with the removal of fish barriers is also permitted and wholly within the discretion of the county legislative authority ([RCW 36.82.070](#)).

### **1% Annual Levy Lid**

The road levy is subject to the 1% annual “levy lid” (see [page 50](#)). If the assessed value in the unincorporated county is increasing more than 1% per year, excluding new construction and state-assessed utilities, your levy rate will begin to decrease as a result. However, if you are levying less than your statutory maximum rate, your county can potentially increase its regular levy above the 1% annual levy lid using non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### **Prorating**

The road levy is subject to both the \$5.90 local limit and \$10 constitutional limit (see [page 13](#)). However, it is among the very last levies that would be ever subject to prorating. In the event that either the \$5.90 or \$10 constitutional limits are exceeded, there should be no impact on the county road levy.

However, if the county is using a road levy shift (see [page 26](#)), the road levy shift must be reduced, eliminated, or “bought down” before any prorating can take place.

## Road Levy Shifts

### Quick Summary

- Allows county to shift a certain dollar amount from the road levy to the current expense (general fund) levy, thus increasing the current expense levy rate and reducing the road levy rate.
- Resulting current expense levy rate cannot exceed \$2.475 per \$1,000 AV, and total combined road + current expense levy rate cannot exceed \$4.05 per \$1,000 AV.
- Shifted revenues are unrestricted and may be used for any lawful governmental purpose.
- Road levy shift cannot cause another taxing district's levy to be reduced. Levy shift must be reduced, eliminated, or bought down before prorationing can take place.
- Does not require voter approval.

**RCW: 84.52.043(1)**

Road levy shifts and road levy diversions are two different mechanisms for increasing current expense (general fund) revenues while decreasing road revenues. Each of these options have very important differences that could potentially impact county road projects and funding through the [Rural Arterial Program \(RAP\)](#). The Washington State County Road Administration Board (CRAB) has [additional information](#) and support services to assist with this analysis.

Road levy shifts and diversions must be authorized by the county legislative body each year no later than November 30 as part of the normal levy-setting process (see [page 71](#)). They do not require voter approval.

A road levy shift is literally the shifting of taxing authority from the road district/fund to the county's current expense (general) levy, as authorized by [RCW 84.52.043\(1\)](#).

Using a road levy shift, the county can exceed the normal maximum current expense levy rate of \$1.80 per \$1,000 AV, while the county's road levy rate will be reduced. Since the road levy is collected only from those taxpayers in the unincorporated areas of the county while the county current expense levy is paid by all county residents, this results in a net property tax increase within the incorporated areas and a net property tax decrease within unincorporated areas.

Road levy shifts are still budget-based, rather than rate-based. In other words, the county determines how much money it wants to "shift" from the road levy to the current expense levy. Based on the budgeted amounts, the assessor's office then calculates the new levy rates for the current expense and road levies.

The new levy rates resulting from the road levy shift cannot exceed \$2.475 per \$1,000 AV, and the total combined levy rate for the current expense fund and the road fund cannot exceed \$4.05 per \$1,000 AV, as shown on the next page.

### Maximum Levy Rates Per \$1,000 AV for County Current Expense and Road Levies

	Without road levy shift	With road levy shift
County Current Expense	\$1.80	\$2.475
County Road	\$2.25	Depends on current expense levy rate
Maximum Combined Rates	\$4.05	\$4.05

The resulting increase in the general fund levy cannot result in the reduction of the levy of any other taxing district within the county.

The tables below demonstrate the levy amounts and rates prior to and after a proposed road levy shift.

#### County levies – Prior to road levy shift

Levy type	Levy amount	÷	Assessed value (000s)	=	Levy rate per \$1,000 AV
Current expense	18,000,000		10,000,000		1.80
Road	10,000,000		5,000,000		2.00
TOTAL	28,000,000				3.80

#### County levies – County shifts \$1 million from roads to current expense

Levy type	New levy amount	÷	Assessed value (000s)	=	New levy rate per \$1,000 AV
Current expense	19,000,000		10,000,000		1.90
Road	9,000,000		5,000,000		1.80
TOTAL	28,000,000				3.70

In this example, the county shifted \$1 million from the road levy to the current expense levy, which increased the current expense levy rate to \$1.90 per \$1,000 AV, which is below the maximum levy shift rate of \$2.425. The combined road levy and current expense levy rate is \$3.70, which remains below the maximum combined levy rates of \$4.05.

### Use of Revenues

The shifted levy funds received by the current expense fund may be used for any lawful governmental purpose within the incorporated or unincorporated county. A road levy shift does not affect a county's eligibility for rural arterial program (RAP) funding.<sup>11</sup>

### 1% Annual Levy Lid

Both the road levy and the current expense levy are subject to the 1% annual levy lid limit (see [page 50](#)). The maximum lawful levy for each fund is calculated each year as if the road levy shift never occurred.

<sup>11</sup> For additional information about the RAP program, see the Washington State County Road Administration Board (CRAB) [Rural Arterial Program webpage](#).

While the total amount of the road levy is limited each year, there is no restriction on the dollar amount a county may shift into the current expense levy each year (provided that it does not exceed the maximum levy rates or cause the reduction in any other taxing district's levy). For instance, the legislative body could decide to shift \$100,000 one year and then \$200,000 (a 100% increase) the following year as long as the other limitations are not exceeded.

### Prorationing

As noted earlier, a road levy shift cannot cause the levy of any other taxing district within the county to be reduced. To determine whether another taxing district's levy would be reduced, the assessor's office must first calculate the maximum allowable levy and levy rate for each fund before the shift takes place. Then, the assessor calculates the levy rates with the shift to make sure the new current expense rate does not exceed \$2.475 and that the combined current expense and county road levies do not exceed \$4.05. Finally, the assessor must check whether the shift impacts any other taxing district's levy.

Assume that a county finds itself in the situation shown below after shifting \$250,000 of road levy monies:

Taxing district	Levy rate per \$1,000 AV (before buy-down)
County current expense (including road levy shift)	\$1.90
City general fund	\$3.10
Public hospital district	\$0.48
Library district	\$0.46
<b>TOTAL</b>	<b>\$5.94</b>

After calculating the levy rate that results from the road levy shift, the total combined levy rate would exceed the \$5.90 limitation by four cents. Since [RCW 84.52.043](#) will not allow for a reduction in any other taxing district's levy, the road levy shift would either have to be reduced by four cents to \$1.86, or the county could consider "buying down" four cents from the city, hospital, or library levies (ideally the taxing district with the lowest assessed valuation to minimize the county's costs – see [page 20](#)).

This is not technically considered "prorationing" under [RCW 84.52.010](#), but the road levy shift must be reduced, eliminated, or "bought down" before any prorationing can take place (see [page 13](#)).

## Road Levy Diversions

### Quick Summary

- Allows county to “divert” road levy revenues to the current expense fund primarily to fund traffic law enforcement in unincorporated areas.
- Revenue may technically be used for any service within unincorporated areas. However, if county uses revenue for anything besides traffic law enforcement or fish passage improvements, it will lose Rural Arterial Program (RAP) funding for the following year.
- Does not require voter approval.

**RCW: 84.52.043(1)**

A road levy diversion, authorized by [RCW 36.33.220](#), allows the county legislative body to use road levy revenues for any service within the county’s unincorporated areas only. However, if the revenues are used for any purpose other than traffic law enforcement, the county will likely become ineligible for Rural Arterial Program (RAP) funding as described below.

Unlike a road levy shift, there is no shift in the tax burden within the county, and the levy rates for both the current expense and road levies remain unchanged. Road levy diversions must be authorized by the county legislative body each year no later than November 30 as part of the normal levy-setting process (see [page 71](#)). They do not require voter approval.

According to MRSC’s [Tax and Population Data](#), 14 of the 39 counties used road levy diversions as of 2017, primarily for subsidizing traffic policing efforts.

### Use of Revenues

As noted above, [RCW 36.33.220](#) authorizes the county legislative body to use road levy revenues for any service within the unincorporated areas. However, that statute conflicts with [RCW 36.82.020](#), which states that “Any funds accruing to and to be deposited in the county road fund arising from any levy in any road district shall be expended for proper county road purposes.” [RCW 36.82.070](#) provides more information on what is considered a road purpose.

[RCW 36.79.140](#) states that in order to receive RAP funding, a county must have spent all of its road revenues for road purposes only – including traffic law enforcement and fish passage improvements – during the preceding 12 months. As a result, any funds not expended for “proper road purposes” are considered to have been improperly “diverted” from the road fund and may make the county ineligible to receive rural arterial program (RAP) funding.

However, this restriction does not apply if:

1. The county’s population is less than 8,000; or
2. The county expended road levy funds on other governmental services ONLY after the voters authorized a levy lid lift (see [page 58](#)) for the road fund for such purposes.

In short, most counties may only use a road levy diversion to help pay for traffic law enforcement and fish passage improvements in the unincorporated areas, or else they will lose their eligibility for RAP funding.<sup>12</sup>

Diverted road funds must be placed into a separate and identifiable account within the county's general fund ([RCW 36.82.040](#)) and requires use of specific accounting procedures for financial reporting purposes (see the State Auditor's Office BARS manuals, Section 3.6.5 Diversion of County Road Property Tax for [Cash Basis](#) and [GAAP](#) entities) that will demonstrate that diverted road funds were used for the unincorporated area of the county only.

It is the responsibility of the County Road Administration Board (CRAB) to ascertain each county's eligibility for receiving RAP funds. Counties are required to annually submit a [Road Levy Certification Form](#), which details the rate and amount of the property tax road levy and the amount and rate, if any, budgeted for traffic law enforcement in accordance with [RCW 36.33.220](#) and/or any other purpose or service to be provided in the unincorporated area of the county ([WAC 136-150-021](#)). It is important to note that the certification of road levy expenditure requires the signature of the county sheriff, the county auditor, and the chair of the board of county commissioners.

### **1% Annual Levy Limit**

Both the road levy and the current expense levy are subject to the 1% annual levy lid limit (see [page 50](#)). The maximum lawful levy for each fund is calculated each year as if the road levy diversion never occurred.

While the total amount of the road levy is limited each year, there is no restriction on the dollar amount a county may divert into the current expense fund each year. For instance, the legislative body could decide to divert \$100,000 one year and then \$200,000 (a 100% increase) the following year if it wanted to.

### **Prorationing**

Unlike a road levy shift, a road levy diversion does not affect the levy rates for either the current expense or road levies. Both the current expense and road levies are among the very last levies that would be ever subject to prorationing, so in the event that either the \$5.90 or \$10 constitutional limits are exceeded, there should be no impact on any road levy diversion.

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<sup>12</sup> For more information on what activities are and are not considered "road purposes," see AGO 2017 No. 1, which concludes that incarceration and coroner activities are not considered road purposes, and that costs related to prosecution, adjudication, and indigent defense of traffic offenses are murkier but are probably not considered road purposes either.

## Affordable Housing Levy

### Quick Summary

- Property tax – additional levy up to \$0.50 per \$1,000 assessed valuation.
- Revenues restricted to finance affordable housing for “very low-income” households.
- Subject to \$10 constitutional limit but not \$5.90 limit.
- Requires voter approval.

**RCW: [84.52.105](#)**

Any county may impose a property tax levy up to \$0.50 per \$1,000 of assessed valuation to finance affordable housing for very low-income households ([RCW 84.52.105](#)). The levy may be imposed each year for up to 10 consecutive years and requires voter approval.

Cities also have similar authority under the same statute, but the combined city/county levy rate may not exceed \$0.50 per \$1,000 AV.

### Use of Revenues

The revenues must be used to finance affordable housing for very low-income households. The statute defines “very low-income” as:

[A] single person, family, or unrelated persons living together whose income is at or below fifty percent of the median income, as determined by the United States department of housing and urban development, with adjustments for household size, for the county where the taxing district is located.

Before imposing the levy, the county must declare the existence of an emergency with respect to the availability of affordable housing for very low-income households within its jurisdiction and adopt an affordable housing finance plan for the expenditure of the levy funds to be raised. The adopted plan must be consistent with either the locally adopted or state-adopted comprehensive housing affordability strategy, required under the National Affordable Housing Act ([42 U.S.C. Sec. 12701](#)).

### Ballot Measure Requirements

An affordable housing levy must be approved by a simple majority vote, and there are no validation (minimum voter turnout) requirements. The statute does not specifically address when this levy may be presented to the voters, which leads us to conclude that the ballot measure can be presented at any special, primary, or general election.

According to MRSC’s [Local Ballot Measure Database](#), Jefferson County is the only county to have presented this levy to voters in recent years, and the measure failed by a large margin. At the city level, both Bellingham and Vancouver have successfully passed this levy in recent years.

### **1% Annual Levy Lid Limit**

The affordable housing levy is subject to the 1% annual “levy lid” (see [page 50](#)). If your county’s assessed value is increasing more than 1% per year, excluding new construction and “add-ons,” your levy rate will begin to decrease as a result. However, since affordable housing levies are temporary and will expire after no more than 10 years, the 1% levy lid is probably not a big concern. Any adjustments to produce more revenue can be made in the reauthorization ballot measure.

### **Prorating**

The affordable housing levy is not subject to the \$5.90 local limit, but it is subject to the \$10 constitutional limit and may be subject to prorating if the \$10 limit is exceeded (see [page 13](#)). However, this levy is fairly high on the prorating “ladder” and there are a number of other local government levies that would be reduced or eliminated prior to the affordable housing levy.

In the event that both a county, and a city or town within the county, pass affordable housing levies, the combined rates of these levies may not exceed \$0.50 per \$1,000 of assessed valuation in any area within the county. If the combined rates exceed \$0.50, the levy of the last jurisdiction to receive voter approval must be reduced or eliminated so that the combined rate does not exceed \$0.50.

## Conservation Futures Levy

### Quick Summary

- Property tax – additional levy up to \$0.0625 per \$1,000 assessed valuation.
- Revenues restricted to the acquisition of open space and future development rights.
- Subject to \$10 constitutional limit but not \$5.90 limit.
- Does not require voter approval.

**RCW:** [84.34.230](#), [84.34.240](#)

Any county can impose a countywide property tax levy up to \$0.0625 per \$1,000 assessed value for the purpose of purchasing open space and future development rights ([RCW 84.34.230](#)). Counties are also encouraged in statute to use this levy as one tool to help preserve salmon populations. The levy may be imposed by the legislative body and does not require voter approval.

According to MRSC's [Tax and Population Data](#), as of 2017, 13 of Washington's 39 counties have imposed a conservation futures levy.

### Use of Revenues

The rights and interests must be acquired pursuant to [RCW 84.34.210](#) and [RCW 84.34.220](#). Any rights or interests in real property acquired through this levy after July 24, 2005 must be located within the county. The county must also determine if such acquisitions would reduce its capacity for accommodating housing and employment growth under countywide planning policies. When actions are taken that reduce the county's capacity to accommodate planned growth, the county must adopt reasonable measures to offset the lost capacity.

Generally, no more than 15% of the revenue may be used for maintenance and operation (O&M), and revenues may not supplant existing O&M funding ([RCW 84.34.240](#)). However, new legislation in 2017 established two exceptions: counties may use up to 25% of the funds for O&M if the property contains at least 400 acres, or if the county has collected a conservation futures levy for 20 or more years. Note that this is not "20 or more years as of 2017," but simply "20 or more years." This means that no county may use more than 15% of the revenues for O&M for the first 19 years of the levy (except for properties of at least 400 acres), but beginning at Year 20 the O&M cap for all counties increases to 25%.

In counties greater than 100,000 population, the county legislative authority must develop a process to help ensure the distribution of funds over time throughout the county ([RCW 84.34.240\(4\)](#)).

### 1% Annual Levy Limit

The conservation futures levy is subject to the 1% annual "levy lid" (see [page 50](#)). If your county's assessed value is increasing more than 1% per year, excluding new construction and state-assessed utilities, your levy rate will begin to decrease as a result. However, if you are levying less than your statutory maximum rate, your county can potentially increase its regular levy above the 1% annual levy lid

through non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### **Prorationing**

The conservation futures levy is not subject to the \$5.90 local limit but is subject to the \$10 constitutional limit and may be subject to prorationing if the \$10 limit is exceeded (see [page 13](#)).

## Criminal Justice Levy

### Quick Summary

- Property tax – additional levy up to \$0.50 per \$1,000 assessed valuation for up to 6 years.
- Revenues restricted to criminal justice purposes.
- Only applies to counties with a population of 90,000 or less.
- Subject to \$10 constitutional limit but not \$5.90 limit.
- Requires voter approval.

**RCW: [84.52.135](#)**

Any county with a population of 90,000 or less may impose an additional property tax levy up to \$0.50 per \$1,000 assessed valuation for six consecutive years for criminal justice purposes. The measure requires voter approval.

### Use of Revenues

The revenues may only be used for “criminal justice purposes.” However, the statute does not define the term.

### Ballot Measure Requirements

A criminal justice levy may be submitted at any special, primary,<sup>13</sup> or general election and requires a 60% supermajority vote, subject to validation/minimum voter turnout requirements (see [page 68](#)). According to MRSC’s [Local Ballot Measure Database](#), the only county to attempt this measure in recent years was Wahkiakum County, and the measure failed.

### 1% Annual Levy Lid

The criminal justice levy is subject to the 1% annual “levy lid” (see [page 50](#)). If your county’s assessed value is increasing more than 1% per year, excluding new construction and “add-ons,” your levy rate will begin to decrease as a result. However, since criminal justice levies are temporary and must be re-submitted to voters after six years, the 1% levy lid is probably not a big concern. Any adjustments to produce more revenue can be made in the reauthorization ballot measure.

### Prorationing

The criminal justice levy is not subject to the \$5.90 local limit but is subject to the \$10 constitutional limit and may be subject to prorationing if the \$10 limit is exceeded (see [page 13](#)).

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<sup>13</sup> [RCW 84.52.135](#) states that the tax must be submitted at “a general or special election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

## Cultural Access Program Levy

### Quick Summary

- Property tax – additional levy with maximum rate based on retail sales.
- Revenues are restricted and may only be used for specified cultural purposes.
- Subject to \$5.90 limitation and \$10 constitutional limit.
- Requires voter approval.

**RCW: [84.52.821](#); [chapter 36.160 RCW](#)**

Any county except King County<sup>14</sup> may impose an additional property tax levy for up to seven consecutive years to benefit or expand access to nonprofit cultural organizations ([RCW 84.52.821](#); [chapter 36.160 RCW](#)). The measure requires voter approval.

Cities have similar authority under the same statute. However, the enabling legislation (see [RCW 36.160.030](#)) provided counties with the first right of refusal and did not allow a city to place this measure on the ballot unless either (a) the county adopted a resolution forfeiting its right, or (b) the county did not place such a proposition before the voters by June 30, 2017.

Since the 2017 deadline has passed, any city or town may now place a cultural access program levy on the ballot. While the statutory language is not entirely clear, it is our interpretation that a city and a county may *not* impose this levy concurrently. In other words, if a city within the county has enacted this levy and created a cultural access program, the county may not impose this levy as long as the city levy is in place. However, if no city within the county has imposed such a levy, or if the city's levy expires and is not renewed, the county may submit this measure to voters.

### Use of Revenues

The revenues must be used in accordance with [RCW 36.160.110](#), which is very detailed. The requirements for all counties other than King County (which is not eligible for this levy) are listed in sub-section 1. The funds may be used for a number of purposes related to cultural access programs, including start-up funding, administrative and program costs, capital expenditures or acquisitions, technology, and public school programs to increase cultural program access for students who live in the county.

A “cultural organization,” as defined in [RCW 36.160.020](#), must be a 501(c)(3) nonprofit corporation with its principal location(s) in Washington State and conducting a majority of its activities within the state. The primary purpose of the organization must be the advancement and preservation of science or technology, the visual or performing arts, zoology (national accreditation required), botany, anthropology, heritage, or natural history.

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<sup>14</sup> King County may only impose a cultural access program sales tax and may not impose a cultural access program levy. See [RCW 36.160.080\(1\)\(b\)](#).

State-related cultural organizations are eligible, but the funding may not be used for local or state government agencies, radio/TV broadcasters, cable communications systems, internet-based communications services, newspapers, magazines, or fundraising organizations that redistribute money to multiple cultural organizations.

The county may not use the funding to replace or supplant existing funding ([RCW 36.160.050](#)). The county must affirm that any funding it usually and customarily provides to cultural organizations will not be replaced or materially diminished. If the organization receiving funds is a state-related cultural organization, the funds received may not replace or materially diminish state funding.

### **Ballot Measure Requirements**

The county must adopt an ordinance to impose the levy and the ballot proposition must set the total levy amount and estimated levy rate to be collected in the first year of the levy. The levy amount for the first year may not exceed an amount equal to:

The total taxable retail sales and taxable uses in the county or the city levying the property tax for the most recent calendar year as reported by the department multiplied by one-tenth of one percent. Any county or city levying the property tax in this section must calculate the total dollar amount to be collected using the most recent calendar year publicly available data of taxable retail sales published on the department's web site. ([RCW 84.52.821\(1\)](#))

The property tax may be submitted at any special, primary,<sup>15</sup> or general election and must be approved by a simple majority of voters. There are no validation (minimum voter turnout) requirements. According to MRSC's [Local Ballot Measure Database](#), as of 2018 no cities, towns, or counties have attempted to use this property tax option.

### **1% Annual Levy Limit**

The cultural access program levy is subject to the 1% annual "levy lid" (see [page 50](#)). If your county's assessed value is increasing more than 1% per year, excluding new construction and "add-ons," your levy rate will begin to decrease as a result. However, since cultural access program levies are temporary and must be re-submitted to voters after no more than seven years anyways, the 1% levy lid is probably not a big concern. Any adjustments to produce more revenue can be made in the reauthorization ballot measure.

### **Prorationing**

The cultural access program levy is subject to both the \$5.90 local limit and \$10 constitutional limit and may be subject to prorationing if either limit is exceeded (see [page 13](#)). In particular, if the \$5.90 limitation is exceeded, the cultural access levy will be the very first levy to be reduced or eliminated (unless the county has a road levy shift in place, in which case the road levy shift must be reduced or eliminated first).

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<sup>15</sup> [RCW 84.52.821](#) states that the tax must be submitted at "a special or general election," which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four "special elections" each year, including the primary election. So for these purposes, "special election" includes the primary election.

## Sales Tax Alternative

Any city, town, or county may also impose a retail sales tax under [RCW 82.14.525](#) for cultural access programs (see [page 83](#)). From a revenue standpoint, the property tax and sales tax options are roughly equivalent: the amount of revenue generated by the property tax may not exceed 0.1% of the retail sales in the county for the most recent calendar year, both options require a simple majority vote, and both are capped at seven years but may be renewed with voter approval.

Deciding whether to impose the sales tax or the property tax option is a policy decision for the county to make, although it is worth noting that the property tax levy is subject to possible prorationing while the sales tax option is not. However, counties may not implement the property tax and the sales tax options concurrently ([RCW 36.160.080](#)).

## Emergency Medical Services (EMS) Levy

### Quick Summary

- Property tax – additional levy up to \$0.50 per \$1,000 assessed valuation.
- Revenues are restricted to the provision of emergency medical care or services.
- May be imposed for 6 years, 10 years, or permanently.
- Subject to \$10 constitutional limit but not \$5.90 limit.
- Requires voter approval.

**RCW: [84.52.069](#)**

Any county may impose a property tax levy up to \$0.50 per \$1,000 of assessed valuation to provide for emergency medical care or emergency medical services (EMS, [RCW 84.52.069](#)). The levy may be imposed for 6 years, 10 years, or permanently, and it requires voter approval.

Most of the EMS levies within Washington are imposed by smaller jurisdictions such as cities, towns, fire protection districts, and public hospital districts. However, according to MRSC's [Tax and Population Data](#), there are a number of counties that have countywide (or nearly countywide) EMS levies.

Any county may submit a countywide EMS levy to voters. However, if the county contains any cities with a population in excess of 50,000, the county must first get city legislative body approval from at least 75% of those cities located within the county ([RCW 84.52.069\(6\)](#)).

If a county has imposed an EMS levy at the maximum rate of \$0.50 per \$1,000 AV, no other taxing jurisdiction within the county may impose an EMS levy.

However, if a county has imposed an EMS levy below the maximum \$0.50 rate, any eligible taxing jurisdiction within the county may still impose its own separate EMS levy, as long as the combined rate does not exceed \$0.50. For instance, if a county imposes a \$0.30 EMS levy, a city or fire district within the county could still impose a \$0.20 EMS levy. However, if the county ever increased its EMS levy to the maximum \$0.50, the EMS levies of any other taxing districts within the county would be eliminated.

### Use of Revenues

EMS levies must be used for emergency medical care or emergency medical services, including related personnel costs, equipment, supplies, vehicles and structures associated with emergency medical care and services.

### Ballot Measure Requirements

An EMS levy may be presented to the voters at any special, primary,<sup>16</sup> or general election. The ballot

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<sup>16</sup> [RCW 84.52.069](#) states that the levy must be submitted at “a special or general election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

measure must conform to [RCW 29A.36.210](#), including specifying whether the levy will be imposed for 6 years, 10 years, or permanently.

No taxing district may place an EMS levy on the ballot at the same election as a countywide EMS levy. If the county imposes a temporary 6-year or 10-year EMS levy below the maximum \$0.50 rate, any subsequent temporary EMS levy approved by a taxing district within the county must expire at the same time as the countywide levy.

The ballot language and approval requirements depend on several factors:

**For 6-year or 10-year EMS levies:** The initial imposition of a 6-year or 10-year EMS levy requires a 60% supermajority vote, subject to validation/minimum voter turnout requirements (see [page 68](#)). For the “subsequent renewal” of a previously imposed EMS levy, at the same levy rate that voters already approved (or less), a simple majority vote is all that is required, with no validation.<sup>17</sup>

**For a permanent EMS levy:** A permanent EMS levy requires a 60% supermajority vote, subject to validation/minimum voter turnout requirements (see [page 68](#)). In addition, if a county imposes a permanent EMS levy, it must account separately for the receipt and expenditure of the EMS levy monies ([RCW 84.59.069\(3\)](#)) and provide a statement of accounting that is updated at least every two years and made available to the public upon request at no charge.

For a permanent EMS levy, you must also provide for a referendum procedure to apply to the ordinance imposing the tax ([RCW 84.52.069\(4\)](#)), even if your county is a non-charter county and does not otherwise have powers of initiative and referendum. The referendum procedure must specify that a referendum petition may be filed at “any time.” The procedures and requirements of this referendum provision are unique to the EMS levy and supersede the procedures provided under all other statutory or charter provisions for initiative or referendum. For examples of referendum language, see MRSC’s [EMS Levies webpage](#). However, EMS levies tend to be pretty popular, and we are not aware of any EMS levy referendums that have been attempted recently.

According to MRSC’s [Local Ballot Measure Database](#), voters have approved all of the countywide EMS levies in recent years.

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<sup>17</sup> Previously, a simple majority vote was only allowed for an “uninterrupted continuation,” but that language changed with 2018 legislation.

**If your initial ballot proposition established an EMS levy rate less than \$0.50 per \$1,000 assessed value:** Any future increases above the initial levy rate approved by voters would be considered the initial imposition of a new levy, requiring 60% supermajority approval with validation. For instance, if a county imposes a permanent EMS levy with an initial rate of \$0.30 per \$1,000 AV and later decides to increase the levy to \$0.50, it would have to submit a new \$0.50 permanent EMS levy to voters. Likewise, if a county imposed a 10-year EMS levy at an initial rate of \$0.30 and then, upon its expiration 10 years later, submits another 10-year levy for \$0.50, the \$0.50 levy is considered the initial imposition of a new levy, rather than the continuation of a previously approved levy.

### Comparison of 6-Year, 10-Year, and Permanent EMS Levies

	6-Year or 10-Year Levy	Permanent Levy
<b>Requirements for initial imposition:</b>	60% supermajority with validation	60% supermajority with validation
<b>Requirements for subsequent renewal:</b>	Simple majority; no validation	N/A
<b>Separate accounting required?</b>	No	Yes
<b>Referendum procedure required?</b>	No	Yes

### 1% Annual Levy Lid Limit

The EMS levy is subject to the 1% annual “levy lid” (see [page 50](#)). If your county’s assessed value is increasing more than 1% per year, excluding new construction and “add-ons,” your EMS levy rate will begin to decrease as a result. However, if you are levying less than the maximum \$0.50 rate, your county can potentially increase its EMS levy above the 1% annual levy lid through non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### Prorating

EMS levies are not subject to the \$5.90 local limit but are subject to the \$10 constitutional limit (see [page 13](#)). If the \$10 constitutional limit is exceeded, the EMS levy could potentially be reduced through prorating, although this is unlikely as there are many other local levies that would be reduced first.

## Ferry District Levy

### Quick Summary

- Property tax – additional levy up to \$0.75 per \$1,000 assessed valuation (or \$0.075 for King County only).
- Revenues are restricted to passenger-only ferry service.
- Subject to \$10 constitutional limit but not subject to \$5.90 limit.
- Does not require voter approval.

**RCW: 36.54.130**

Any county that has formed a passenger-only ferry district encompassing part or all of the county under [RCW 36.54.110](#) may impose an additional property tax levy of up to \$0.75 per \$1,000 assessed value ([RCW 36.54.130](#)). However, in a county with a population of 1.5 million or more (King County), the rate may not exceed \$0.075 (seven and one-half cents) per \$1,000 AV. The tax is imposed by the legislative body and does not require voter approval.

### Use of Revenues

The revenues must be used for providing ferry services, including the acquisition, operation, maintenance, and improvement of ferry vessels and dock facilities, as well as related personnel costs and landside improvements directly related to the provision of passenger-only ferry service, including providing shuttle service between the ferry terminal and passenger parking facilities.

### 1% Annual Levy Limit

The ferry levy is subject to the 1% annual “levy lid” (see [page 50](#)). If your county’s assessed value is increasing more than 1% per year, excluding new construction and “add-ons,” your levy rate will begin to decrease as a result. However, if you are levying less than the maximum rate, your county can potentially increase the levy above the 1% annual levy lid through non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### Prorationing

The ferry district levy is not subject to the \$5.90 limit but is subject to the \$10 constitutional limit (see [page 13](#)) and could be subject to prorationing if the \$10 limit is exceeded.

## Flood Control Zone District Levy

### Quick Summary

- Property tax – additional levy up to \$0.50 per \$1,000 assessed valuation.
- Revenues are restricted to flood control or stormwater projects.
- Subject to both \$5.90 and \$10 constitutional limits.
- Does not require voter approval.

**RCW: 86.15.160(3)**

The supervisors of any flood control zone district established by the county may impose an additional property tax levy up to \$0.50 per \$1,000 assessed value for flood control zone districts ([RCW 86.15.160\(3\)](#)). The levy does not require voter approval.

### Use of Revenues

The revenues must be used for flood control or stormwater projects that benefit specific areas of the county under [chapter 86.09 RCW](#).

### 1% Annual Levy Lid Limit

The flood control zone district levy is subject to the 1% annual “levy lid” (see [page 50](#)). If the assessed value within the flood control zone district is increasing more than 1% per year, excluding new construction and state-assessed utilities, your levy rate will begin to decrease as a result. However, if you are levying less than your statutory maximum rate, your county can potentially increase its levy above the 1% annual levy lid through non-voted banked capacity (if available – see [page 55](#)) or a voted levy lid lift (see [page 58](#)).

### Prorationing

This levy is subject to both the \$5.90 limit and the \$10 constitutional limit (see [page 13](#)) and could be subject to prorationing if either limit is exceeded.

However, [RCW 84.52.816](#) allows certain flood control zone districts that are coextensive with the county to protect up to \$0.25 per \$1,000 AV outside the \$5.90 limit. The “protected” amount would no longer be subject to the \$5.90 local limit, but it would still be subject to the \$10 constitutional limit.

## Transit Levy

### Quick Summary

- Property tax for transit-related expenditures.
- Only applies to King County.
- Does not require voter approval.

**RCW: [84.52.140](#)**

Any county with a population of 1.5 million or more (King County) may levy up to \$0.075 per \$1,000 assessed value for expanding transit capacity along State Highway 520 and for other transit-related expenditures ([RCW 84.52.140](#)). This levy is imposed by the legislative body and does not require voter approval. The levy is not subject to the \$5.90 local limit but is subject to the \$10 constitutional limit (see [page 13](#)).

Since this levy only applies to King County, which is currently levying it, we will not go into more detail here.

## Excess Levies (Operations & Maintenance)

### Quick Summary

- Property tax – additional levy with no specific levy rate cap.
- Revenues may be used for any lawful governmental purpose, but must be spent in accordance with the purpose(s) specified in the ballot measure.
- Requires voter approval.

**RCW:** [84.52.052](#), [84.52.054](#)

“Excess” or “special” levies, frequently referred to as “maintenance and operations” or “O&M” levies, are one-year levies<sup>18</sup> that impose property taxes over and above the \$5.90 and \$10 constitutional property tax limits. Excess levies are authorized by [RCW 84.52.052](#) and [RCW 84.52.054](#), as well as article VII, section 2(a) of the state constitution. Any county may impose a one-year excess levy with voter approval. There is no restriction on the levy rate or levy amount for an excess O&M levy.

### Use of Revenues

Excess O&M levies may be used for any lawful governmental purpose; however, the revenues must be spent in accordance with the purpose(s) specified in the ballot measure.

Because each levy is only for one year, excess O&M levies are often best suited for temporary purposes, such as a short-term project, a one-time expense or purchase, or bridging a temporary revenue shortfall or similar funding emergency. Excess O&M levies are generally not ideal for recurring expenses or critical governmental services such as public safety due to the 60% supermajority requirement (see below) and the fact that the county must go before the voters every single year.

### Ballot Measure Requirements

An excess O&M levy may be submitted at any special, primary,<sup>19</sup> or general election and requires 60% supermajority approval, subject to validation/minimum voter turnout requirements (see [page 68](#)). While a small number of primarily rural cities and towns regularly rely on excess levies each year to fund basic services, according to MRSC’s [Local Ballot Measure Database](#) no counties have attempted an excess levy in recent years.

### 1% Annual Levy Limit

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<sup>18</sup> For counties and almost all other taxing districts, excess levies may only be imposed for one year at a time. However, school districts and fire protection districts have separate statutes allowing for multi-year excess levies.

<sup>19</sup> [RCW 84.52.052](#) states that the levy must be submitted at “a special or general election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

Because excess levies may only be imposed for one year at a time, the 1% annual levy lid limit (see [page 50](#)) does not apply. To impose an excess levy in subsequent years, the county would have to submit a new excess levy to voters every year.

### **Prorationing**

Excess O&M levies are not subject to the \$5.90 or \$10 limits (see [page 13](#)), so they are not subject to prorationing and will not be affected if either limit is exceeded.

## G.O. Bond Excess Levies (Capital Purposes)

### Quick Summary

- Property tax – excess levy to repay unlimited tax general obligation (G.O.) bonds.
- Revenues are restricted to capital purposes.
- Requires voter approval.

**RCW: [84.52.056](#)**

Any county, with voter approval, may issue unlimited tax general obligation (G.O.) bonds – also known as U.T.G.O. bonds – for capital purposes (see [RCW 84.52.056](#) and article VII, section 2(b) of the state constitution). Once the bond has been approved and issued, it is repaid through annual excess levies for the duration of the bond.

G.O. bond excess levies provide a stable revenue stream to repay debt and are automatically sized to pay the principal and interest on the bonds due each year (unlike other revenue sources such as levy lid lifts or sales taxes). As soon as the debt has been repaid, the excess levies cease.

If you are considering issuing G.O. bonds for a capital project, it is extremely important to consult your county's bond counsel early in the planning process.

### Use of Revenues

U.T.G.O. bonds may only be used for capital purposes, which does *not* include the replacement of equipment.

### Ballot Measure Requirements

A U.T.G.O. bond may be submitted at any special, primary, or general election and requires 60% supermajority approval, subject to validation/minimum voter turnout requirements (see [page 68](#)). Such an election may not be held more often than twice per calendar year.

The ballot measure should typically be drafted by your county's bond counsel, since it has peculiar requirements and must authorize both the issuance of the bonds *and* the excess property tax levies.

### 1% Annual Levy Limit

G.O. bond excess levies are not subject to the 1% annual levy lid limit. The levy amount for each year is calculated according to the length of the obligation and the associated amortization schedule prepared at the time of the bond sale. The annual levy amounts are “right-sized” so that they will repay the exact amount of the debt, including both the principal and the interest.

### Prorating

G.O. bond excess levies are not subject to the \$5.90 or \$10 limits (see [page 13](#)), so they are not subject to prorating and will not be affected if either limit is exceeded.

## Refunds and Refund Levies

### Quick Summary

- Taxing districts may increase one or more of their levies to pay for any property tax administrative refunds or refunds due to judgments.
- Refund levies are not subject to the 1% annual levy lid, but may not exceed the district's normal statutory maximum levy rates.
- Does not require voter approval.

**RCW: 84.69.020** and **chapter 84.68 RCW**

In some situations, the county may have to refund property taxes paid by individual property owners or cancel property taxes that were due but not yet paid. There are two types of refunds: administrative refunds (**RCW 84.69.020**) and refunds of taxes recoverable by judgment (**chapter 84.68 RCW**).

The county (and other applicable taxing districts) may impose additional “refund levies” to pay for these refunds. In effect, this allows the taxing district to collect extra revenue to offset the financial loss from the refunds so that it does not suffer any negative budgetary impacts.

### Administrative Refunds

Administrative refunds are made on the order of the county treasurer when taxes were paid more than once or as the result of an error in description, a clerical error in extending the tax rolls, or other errors and mistakes as defined within **RCW 84.69.020**.

A district may choose whether an administrative refund should be included in the following year's levy, thereby reducing the levy amount received by the amount of the administrative refund, or to levy for the refund. Should the district choose to include the refund in the following year's levy, it must contact the county treasurer to obtain the refund amounts and additionally notify the county assessor of the district's intent. It will be important for the taxing district to work closely with the county on the options available for administrative refunds.

### Refunds Recoverable by Judgment

All property taxes placed on the tax roll must be paid; however, the owner of the property being taxed may file a written protest laying out the grounds for either an unlawful or excessive levy amount (**RCW 84.68.020**) and bring the issue before the superior or federal court. If the court rules in favor of the property owner, the county must refund the taxes, plus interest, due to the judgment (**RCW 84.68.030**).

**RCW 84.68.030** and **RCW 84.68.040** provide for the creation and maintenance of a fund within the county treasury known as the “Refund Fund.” The fund is to be used to refund to taxpayers the amount of all taxes recoverable by judgments rendered against the county within the preceding 12 months including interest and costs allowed by judgment.

Every year the county shall make a levy for judgment refunds ([RCW 84.68.040](#)) and these levies shall take precedence over all other tax levies for the county and/or taxing districts that are part of the judgment.

### **1% Annual Levy Lid Limit**

Refund levies are basically a one-year levy and therefore are not subject to the annual 1% levy lid (see [page 50](#)).

### **Prorationing**

Refund levies are subject to the \$5.90 and \$10 limitations (see [page 13](#)), as well as the statutory maximum rate for each respective levy. For instance, the current expense fund levy rate, *including* any refund levies, cannot exceed \$1.80 per \$1,000 AV (or \$2.475 if using a road levy shift).

For examples and further details, refer to the DOR [Property Tax Levy Manual](#).

## THE 1% ANNUAL LEVY LID LIMIT (“101% LIMIT”)

The “levy lid” – also known as the “1% increase limit” or “101% limit” – restricts how much your county’s levy amount (the total property tax revenue received) can grow each year and was enacted due to concerns about property taxes levies rising faster than inflation.

The levy lid was originally established by the state legislature in 1971, and at that time it essentially stated that a taxing district could not increase its total levy amount more than 6% per year, plus an additional amount for any new construction or improvements. For jurisdictions over 10,000 population, that was further restricted by voters in 1997 with the approval of Referendum 47, which limited the increase to 6% or the rate of inflation, whichever was less, unless the legislative body made a finding of substantial need with a supermajority vote.

Then in 2001, voters passed Initiative 747, which lowered the 6% limit to 1%. In 2007, the initiative was ruled unconstitutional by the state Supreme Court, which stated that the voters had been misled. However, the governor quickly convened a special session of the legislature, which reinstated the 1% limit as approved by voters and established the limitation we know now ([RCW 84.55.010](#) and [WAC 458-19-020](#)).

The 1% annual levy lid applies to all county levies except one-year excess O&M levies, excess levies for the repayment of general obligation bonds, and refund levies.

Here’s how it works:

- **For counties with a population of less than 10,000:** You may not increase your levy amount – the total dollar value of property taxes you receive – more than 1% each year, plus an additional levy amount generated by new construction and “add-ons.”
- **For counties with a population of 10,000 or more:** You may not increase your levy amount – the total dollar value of property taxes you receive – more than 1% or the rate of inflation each year, whichever is lower, plus an additional levy amount generated by new construction and “add-ons.” The rate of inflation is measured by the implicit price deflator (IPD). However, if the IPD falls below 1% you may be able to increase your levy amount the full 1% through a finding of “substantial need” (see [page 53](#)).

The county may only exceed these limits through the use of non-voted banked capacity (if available – see [page 55](#)) or, if the county does not have banked capacity available, a levy lid lift approved by voters (see [page 58](#)).

The “add-ons,” established in [RCW 84.55.010](#), refer to increases in assessed valuation from the previous year due to:

- New construction and property improvements,
- Changes in state-assessed utility valuations, and
- Construction of certain renewable energy electricity-generating facilities.

The change in assessed valuation due to these add-ons is multiplied by the prior year's levy rate, and the resulting amount is then added to the 1% annual increase to generate the maximum allowable levy for the next year. In practice, this means that a county's total levy amount will typically increase a bit more than 1% each year. See the example below for a simplified example of how the 1% annual limit works, including add-ons.

### Example of Hypothetical 1% Levy Lid Limit for County Current Expense Levy

(assumes county takes maximum possible increase and does not exceed its statutory maximum levy rates)

Year	Levy amount	x 1.01 =	1% increase	+	Increase due to add-ons	=	Next Year's Maximum Allowable Levy
1	10,000,000	x 1.01 =	10,100,000	+	150,000	=	10,250,000
	.....						
	▼						
2	10,250,000	x 1.01 =	10,352,500	+	100,000	=	10,452,500
	.....						
	▼						
3	10,452,500	x 1.01 =	10,577,025	+	175,000	=	10,732,025
	.....						
	▼						
4	10,732,025	x 1.01 =	10,839,345	+	225,000	=	11,064,345
	.....						
	▼						
	etc...						

In this example, the county increased its prior year's levy the full 1% every year as allowed by statute, but the total levy amount increased roughly 2-3% per year due to the additional amount gained from add-ons. (The example does not include refund levies, if any, which are added on to the county's levy but are not part of the annual 1% levy limit calculations. See [page 48](#).)

Your county is not required to increase its levy the full 1% each year, however. If your county decides to levy less than the maximum 1% increase, you can preserve your future levying capacity through the concept of banked capacity (see [page 50](#)).

Under Washington's budget-based property tax system (see [page 10](#)), the 1% levy limit can cause a taxing district's levy rate (per \$1,000 assessed value) to fluctuate over time. The levy amount each year is divided by the assessed value to calculate the levy rate that property owners must pay. If your assessed valuation is increasing rapidly enough, the 1% limit can result in steady decreases in your levy rate.

For instance, we have added some hypothetical assessed values to the levy amounts from the previous table:

### Example of 1% Levy Limit Effect on City General Fund Levy Rates

Year	Levy amount	÷	Assessed value	=	Levy rate per \$1,000 AV
1	10,000,000	÷	5,560,000,000	=	1.80
2	10,250,000	÷	5,800,000,000	=	1.77
3	10,452,500	÷	6,100,000,000	=	1.71
4	10,732,025	÷	6,200,000,000	=	1.73

In Years 2 and 3, the county’s total levy amount (including the increase due to add-ons) increased roughly 2-3% per year, but the county’s total assessed value increased 4-5% per year. Because the assessed value grew faster than the levy amount, the levy rate decreased each year. But in Year 4, the levy amount grew about 3% while the assessed value increased less than 2%. Since the levy amount increased faster than the assessed valuation, the levy rate increased.

The interaction of the assessed value (AV), levy amount (total dollar amount of property tax revenues collected), and levy rate (per \$1,000 AV) can be broadly summarized like this:

If assessed value % increase	>	levy amount % increase:	levy rate ↓
If assessed value % increase	=	levy amount % increase:	levy rate unchanged
If assessed value % increase	<	levy amount % increase:	levy rate ↑ (not to exceed max. levy rate)

It’s important to note that while assessed values can fluctuate, the county may never exceed its normal statutory maximum levy rates. For instance, if increasing your current expense levy the full 1% plus add-ons would cause you to exceed the maximum rate of \$1.80 per \$1,000 assessed value, you would not be able to levy the full 1% increase.

The 1% levy lid obviously restricts revenue growth, which creates challenges when expenses are increasing faster than 1% per year due to inflation, criminal justice costs, labor and benefit costs, and other factors.

While the 1% levy lid places a limitation on the county’s *total* levy amount that may be collected, it does not limit the property taxes due from individual property owners. Because the assessed valuations of different properties fluctuate at different rates depending upon market conditions, some property owners may see their property taxes go up much more than 1%, while other property owners may simultaneously see their property tax bills decrease.

**To determine your county’s maximum allowable levy:** Talk to your county assessor and refer to DOR’s [Property Tax Forms](#) webpage, which contains a Highest Lawful Levy Calculation spreadsheet (64 0007).

## The Implicit Price Deflator and “Substantial Need”

**The implicit price deflator (IPD) only impacts counties with a population of 10,000 or more. If your county has a population of less than 10,000, this section does not apply to you.**

As noted earlier, the 1% annual levy lid means that counties with a population of 10,000 or more may not increase their levy amounts – excluding the tax increase resulting from new construction and “add-ons” – more than 1% or the rate of inflation, whichever is lower.

The definition of “inflation” for setting a property tax levy ([RCW 84.55.005](#)) is:

“Inflation” means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent twelve-month period by the bureau of economic analysis of the federal department of commerce by September 25th of the year before the taxes are payable.

The state Department of Revenue (DOR) calculates the IPD using the most recent quarterly numbers reported by the federal Bureau of Economic Analysis (BEA).

Every month BEA publishes an estimate of the quarterly IPD numbers. These quarterly numbers are seasonally adjusted each year in July, and these seasonal numbers form the basis for the prior year IPD number that is used by DOR to calculate inflation. The most recent publication available on September 25 is typically the August publication.

For the most recent IPD information, refer to our [Implicit Price Deflator](#) webpage. We will also inform you through our blog posts or e-newsletters each year when the IPD numbers are officially calculated in September.

**If the annual IPD rate is above 1% on September 25:** No action is needed. Because the inflation rate exceeded 1%, your county may increase its levy amount the full 1% for next year (plus new revenue generated by “add-ons”).

**If the annual IPD rate is below 1% on September 25:** Your county may not increase next year’s levy amount above the IPD rate without a finding of “substantial need” (see below). For instance, if the inflation rate is 0.5%, you may not increase next year’s levy amount more than 0.5% (plus new revenue generated by “add-ons”). If deflation occurs and the IPD is negative – which is rare but can happen in a recession – you will actually have to *decrease* your levy amount.<sup>20</sup>

If the IPD falls below 1%, counties of 10,000 or more may still increase their levy amounts the full 1% if they adopt a resolution or ordinance of “substantial need” ([RCW 84.55.0101](#)). The statute does not define “substantial need,” so each county’s legislative body must interpret “substantial need” according

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<sup>20</sup> For information on negative inflation, see DOR’s 2009 special notice entitled [Determining the Limit Factor for Increases in Property Tax Levies](#).

to its needs and requirements. The county must document its evidence support those needs in written findings that are included within the county ordinance/resolution. For instance, one example of a substantial need finding would be a documented increase in the costs of services in excess of current inflation factors.

For counties with four or fewer members of the legislative body, the resolution or ordinance of substantial need must be approved by a simple majority. For counties with five or more members, the substantial need finding requires a “majority plus one” supermajority for passage. For instance, if your county commission has three members, approval requires the normal 2-1 majority. However, if your county council has seven members, approval requires a vote of at least 5-2 in favor.

For examples of resolutions and ordinance of substantial need, see our [Implicit Price Deflator](#) webpage.

If the IPD is less than 1% and your county is not levying the maximum allowable amount – for instance, the IPD is 0.5% and your county is not increasing its levy at all – but you want to preserve your future levy capacity, you can adopt a resolution or ordinance of “future substantial need” using the same process described above and subject to the same supermajority requirements to “bank” the capacity (see [page 55](#)).

## Banked Capacity

### Quick Summary

- Allows counties to exceed 1% annual levy limit for any of their levies.
- May be restricted depending upon the type of levy being imposed.
- Only available to counties that are levying less than their maximum allowable levy amount and less than their maximum statutory levy rates.
- Does not require voter approval.

**RCW: [84.55.092](#)**

One way that some counties can exceed the 1% levy lid is through the use of “banked capacity.” This mechanism is available to counties that have levied less than the maximum amount allowed over the years.

Prior to 1986, local governments felt compelled to raise their property tax levies by the maximum amount each year (6% at that time), even if they did not need the revenue, because if they did not levy the maximum increase they would lose that extra levy capacity in the future. It created a “use it or lose it” approach to levy setting.

But now, any county may take *less* than the maximum allowed 1% levy increase in any given year and preserve (“bank”) the remaining dollar amount to use at some future date ([RCW 84.55.092](#)). With this mechanism, the county’s “maximum allowable levy” calculated under state statute increases the full 1% each year, plus add-ons, as long as it has adopted the required levy ordinance/resolution requesting some percentage less than the maximum allowed.

Essentially, a county’s banked capacity is the difference between its maximum allowable levy and its actual levy. If the county is levying its maximum allowable levy, it has no banked capacity available. If a county is levying less than its maximum allowable levy, it has banked capacity available.

In Example #1 on the next page (which is simplified and does not include add-ons), the county does not increase its levy in years 1-5. Each year, the county “banks” the difference between its maximum allowable levy and its actual levy amount. For Year 6, the county faces a revenue shortfall and needs to increase its levy amount, so it uses its banked capacity to increase the levy amount back to the maximum allowable levy, resulting in a one-time levy increase of more than 6%.

### Banked Capacity Example #1

Year	Maximum allowable levy <i>1% increase each year*</i>	Actual levy amount	Levy increase over previous year	Future banked capacity available: <i>maximum allowable levy minus actual levy</i>
0 (baseline)	10,000,000	10,000,000	N/A	0
1	10,100,000	10,000,000	0%	100,000
2	10,201,000	10,000,000	0%	201,000
3	10,303,010	10,000,000	0%	303,010
4	10,406,040	10,000,000	0%	406,040
5	10,510,100	10,000,000	0%	510,100
6	10,615,200	10,615,200	6.2%	0

\* For simplicity, does not include “add-ons.”

The same principles apply if the county decides to lower its levy amount, or if it increases its levy but by less than the maximum allowable amount. In Example #2, the county has experienced a revenue windfall in Year 0 and has more money than it needs for the Year 1 budget. Rather than putting the excess funds in a contingency fund or a “rainy day” fund, the county decides to give the taxpayers a break by lowering the property tax.

In Year 1, it lowers the tax by \$500,000, resulting in \$600,000 of banked capacity. In Years 2-5, the county gradually increases the levy amount by \$50,000 per year, or roughly 0.5%. Since this is still less than the allowable 1% increase, the county’s banked capacity continues to grow. For Year 6, the county faces a revenue shortfall and decides to use most of its banked capacity, resulting in a one-time levy increase of over 7%. However, the county did not use all of its banked capacity, so it will still have some banked capacity available in future years.

### Banked Capacity Example #2

Year	Maximum allowable levy <i>1% increase each year*</i>	Actual levy amount	Levy increase	Future banked capacity available: <i>maximum allowable levy minus actual levy</i>
0 (baseline)	10,000,000	10,000,000	N/A	0
1	10,100,000	9,500,000	-5.0%	600,000
2	10,201,000	9,550,000	0.5%	651,000
3	10,303,010	9,600,000	0.5%	703,010
4	10,406,040	9,650,000	0.5%	756,040
5	10,510,100	9,700,000	0.5%	810,100
6	10,615,200	10,400,000	7.2%	215,200

\* For simplicity, does not include “add-ons.”

There are no special procedures a county must follow or resolutions it must adopt to bank capacity – you can simply bank capacity by following the normal levy-setting process (see [page 71](#)). When you certify the property tax levy to the county assessor (no later than November 30 under [RCW 84.52.070](#)), you simply state how much you are increasing your levy, both in dollars and in percent. If you are not increasing your levy at all, you would state that you are increasing your levy by \$0, which is a 0% increase. If the percent increase is less than 1%, you automatically bank the excess capacity.

However, if you miss the November 30 deadline or fail to adopt an annual levy ordinance/resolution, you cannot increase your levy above the current level, and you cannot bank the capacity for the next year.

To find out whether your county has banked capacity available – and how much – contact your county assessor. If you have banked capacity available, you can use it by simply including some or all of your banked capacity in your annual levy certification ordinance due to the assessor by November 30.

**For counties with a population of 10,000 or more:** As noted earlier, you may only increase your maximum allowable levy by 1% or the rate of inflation as measured by the implicit price deflator, whichever is less. This applies to banked capacity, too, since your banked capacity is the difference between your maximum allowable levy and your actual levy.

For instance, if the IPD increases only 0.5% and your county does not increase its levy at all for next year, you may only bank the extra 0.5% capacity next year. However, you can still bank the full 1% capacity if you adopt a resolution or ordinance of “future substantial need,” just as you would a normal resolution or ordinance of “substantial need” (see [page 53](#)).

## Levy Lid Lifts

### Quick Summary

- Allows counties to exceed the 1% annual levy lid for any of their levies.
- Two basic options:
  - “Single-year” lid lifts allow you to exceed the 1% annual lid for one year only.
  - “Multi-year” lid lifts allow you to exceed the 1% annual lid for up to six years.
- Cannot use a levy lid lift if county is levying its statutory maximum rate.
- Must use all of your banked capacity before seeking a levy lid lift.
- Revenues are either unrestricted or restricted depending upon the levy lid being increased.
- Requires voter approval.

**RCW: [84.55.050](#)**

If your county does not have banked capacity available, the only way to increase your levy amount more than 1% is through a voter-approved “levy lid lift.” (See [RCW 84.55.050](#) and [WAC 458-19-045](#), which provides a better understanding of the process than the statute.) According to the Department of Revenue, if you *do* have banked capacity available, you must use all of your banked capacity before seeking a levy lid lift. You cannot “save” banked capacity by doing a levy lid lift.

A levy lid lift is not a separate property tax, but rather a way of increasing an existing property tax, such as your current expense levy, EMS levy, or road levy, above the 1% increase limit. Any county levying a tax rate below its statutory maximum rate may ask the voters to “lift” the levy lid by increasing the tax rate to some amount less than or equal to its statutory maximum rate. If your county is already levying its maximum rate, you cannot use a levy lid lift.

Your county would need to do a separate levy lid lift for each of its respective levies. For instance, you could submit one ballot measure for your current expense fund levy, but you would have to submit separate ballot measures for your road levy, EMS levy, etc.

Beginning in 2018, counties can exempt senior citizens, disabled veterans, and other people with disabilities (as defined in [RCW 84.36.381](#)) from the tax increase resulting from a levy lid lift if desired. This exemption is optional, and if your jurisdiction is planning a levy lid lift and you want to exempt these individuals, you must state the exemption in the ballot measure placed before the voters. If you choose this option, this will result in two separate assessed valuations for your levy – one that applies to the levy amount below the lid lift, and a somewhat smaller assessed valuation that applies to the levy lid lift portion only.

Levy lid lifts can be quite confusing. Counties have two main options: “single-year” and “multi-year” lid lifts. However, these names can be confusing too, since “single-year” lid lifts typically last for multiple years and can be made permanent.

A good way to think of the difference between “single-year” and “multi-year” lid lifts is: How many years can your total levy increase by more than 1 percent? With a single-year lid lift, you can exceed the 1% annual limit for one year only, and then future increases are limited to 1% (or inflation) for the remainder of the levy. With a multi-year lid lift, you can exceed the 1% annual limit for up to 6 consecutive years.

### Which Option is Better?

The answer, of course, is “it depends.” There are a number of key differences between single-year and multi-year lid lifts. A brief summary is below, with more details on the following pages.

#### Comparison of Levy Lid Lift Options

	“Single-Year” Option	“Multi-Year” Option
<b>Number of years you can exceed the 1% annual levy limit</b>	1	Up to 6
<b>Temporary option</b>	After Year 1, levy amount increases up to 1% annually for specified number of years. After measure expires, levy reverts as if lid lift never occurred.	Lid lift lasts up to 6 years, with annual limit factor specified by county. After measure expires, levy reverts as if lid lift never occurred.
<b>Permanent option</b>	Year 1 levy is used to calculate all future 1% levy increases	Levy amount in final year is used to calculate all future 1% levy increases
<b>May be used for</b>	Any lawful governmental purpose	Any limited purpose stated in the ballot measure
<b>Supplanting restrictions?</b>	None	King County may not supplant funds
<b>Election date</b>	Any special, primary, or general election	Primary or general election only
<b>Voter approval required</b>	Simple majority	Simple majority

Setting a specific time period (a temporary lid lift) may make the ballot measure more attractive to the voters. But, making it permanent means you can use the funds for ongoing operating expenditures without having to be concerned that you will have to go back to the voters for another lid lift.

When selecting the right levy lid lift option for your county, here are a few key factors to consider:

- How much money you need to raise;
- What you need the revenue for, and for how long (for instance, continued operating costs versus a capital project that will only last a few years);
- How quickly your costs, and property values, are increasing;
- Your desired election date (special, primary, or general); and
- How you think voters will respond to the different alternatives (for instance, a permanent versus temporary tax).

## Single-Year Levy Lid Lifts

### Quick Summary

- Allows counties to exceed the 1% annual levy lid for any of their levies for one year only.
  - If lid lift is temporary, all subsequent levies are limited to a 1% annual increase until the measure expires, at which point the maximum allowable levy reverts to what it would have been without the lid lift.
  - If lid lift is permanent, all subsequent levies are limited to a 1% annual increase and the levy increase never expires or reverts.
- Cannot use a levy lid lift if county is levying its statutory maximum rate.
- Must use all of your banked capacity before seeking a levy lid lift.
- Revenues are unrestricted and may be used for any lawful governmental purpose, but must be spent in accordance with the purpose(s) specified in the ballot measure (if any).
- Requires voter approval.

**RCW: [84.55.050\(1\)](#)**

The single-year levy lid lift is the original version, created in 2001 by Initiative 747 (which lowered the annual levy limit from 6% to 1%). Some people refer to it with a variety of other names, such as “one-bump,” “one-year,” “basic,” “original flavor,” or “plain vanilla.”

The single-year lid lift allows your county to increase its maximum levy by more than 1% for one year only. The resulting amount is then used as a base to calculate all subsequent 1% levy limitations for the duration of the levy.

Single-year levy lid lifts can be temporary or permanent. With a temporary single-year lid lift, the county sets an expiration date for the levy. The temporary lid lift can last for any number of years, but if used to repay debt service it may not exceed nine years.<sup>21</sup> The levy lid bumps up more than 1% in the first year, and then that amount is used to calculate all subsequent 1% levy limitations until the measure expires. When the lid lift expires, the levy lid reverts to what it *would have been* if the levy lid lift never existed and the county had increased its levy by the maximum allowable amount each year in the meantime.

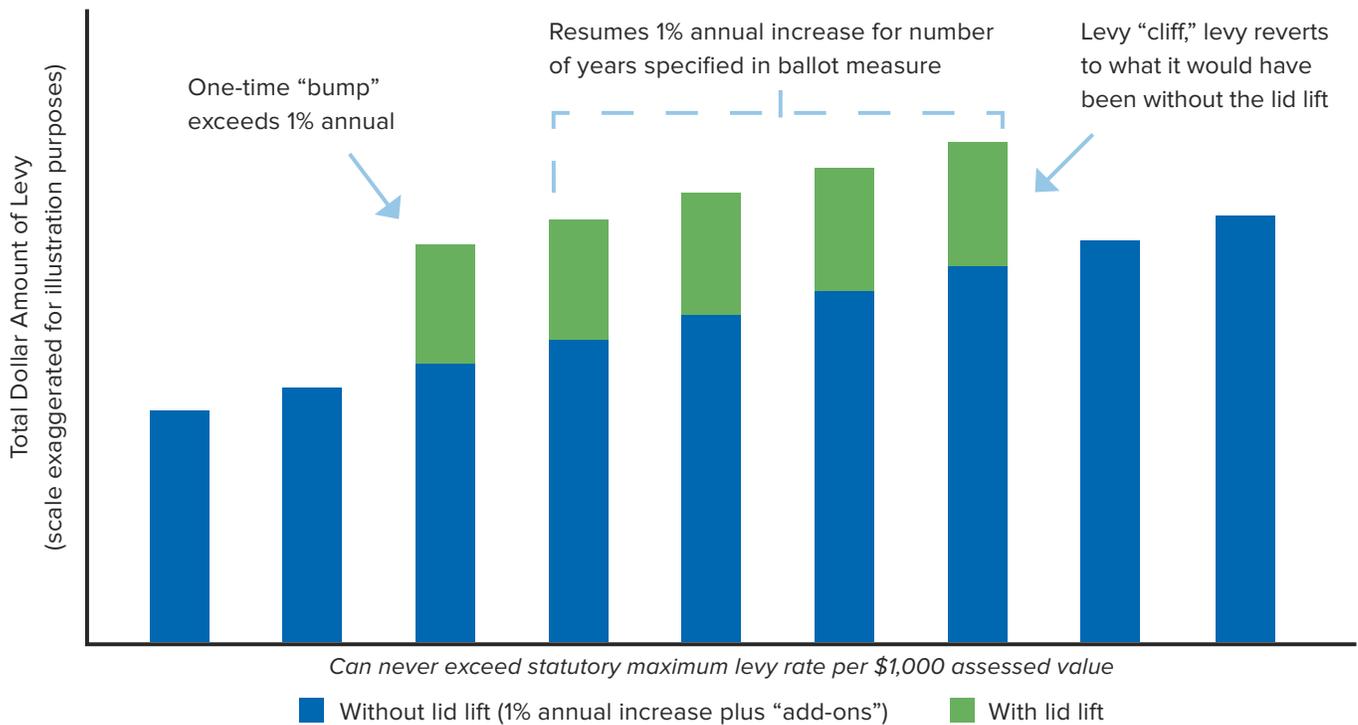
With a permanent single-year levy lid lift, the levy lid bumps up more than 1% in the first year, and then that amount is used to calculate all future 1% levy limitations. The measure never expires and the levy lid never reverts. However, future annual increases may not exceed 1% without going to the voters for another lid lift.

See the examples on the next page.

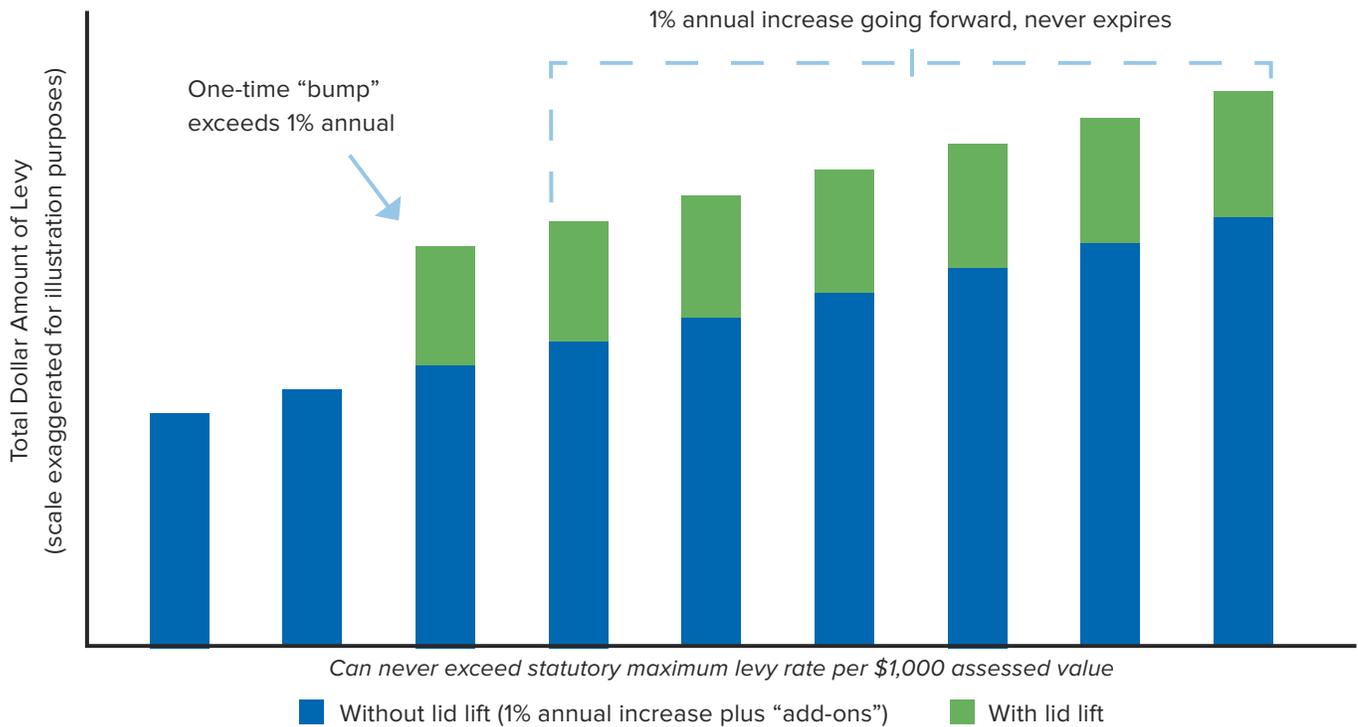
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21 Except Thurston County, which may use a levy lid lift up to 25 years for debt service.

## SINGLE-YEAR TEMPORARY LEVY LID LIFT



## SINGLE-YEAR PERMANENT LEVY LID LIFT



## Use of Revenues

Single-year lid lifts may be used for any of the county's levies, including the current expense levy, and there are no restrictions on supplanting funds. For instance, you could say a current expense levy lid lift would be for public health programs or for additional money for general government purposes, or you could say nothing at all. In the latter case, by default, it would be for general government purposes. Stating a particular purpose, however, may improve your chances of getting the voters to approve it. If you do state a purpose, the revenues must be used in accordance with that purpose.

If the single-year levy lid lift is used for debt service, it may not exceed 9 years. However, note that the amount of revenue generated by a levy lid lift is not guaranteed to provide the precise amount of revenue needed to repay the debt, since the revenues generated by the levy lid lift depend upon assessed valuation, levy rate limitations, and the 1% annual levy lid.

## Ballot Measure Requirements

Single-year lid lifts may be submitted at any special, primary, or general election and require a simple majority approval. There are no validation (minimum voter turnout) requirements.

A single-year lid lift ballot measure must:

- State the *maximum tax rate* to be imposed in the first year (for instance, \$1.50 per \$1,000 AV).
- If temporary, state the total duration of the levy (number of years).
- If permanent, state that it is permanent or that the dollar amount of the levy will be used for the purpose of computing the limitations for subsequent levies.
- State the exemption for senior citizens and persons with disabilities under [RCW 84.36.381](#), if the county wishes to exempt these individuals

The ballot measure also must comply with [RCW 29A.36.071](#), which limits the ballot title to 75 words or less.

The ballot measure does not have to state the purpose (although doing so is a good idea), the *increase* in the levy rate (for instance, an increase of \$0.20 per \$1,000 AV), or the maximum total levy (for instance, a total levy amount of \$300,000), although some jurisdictions have chosen to include this information. For examples of levy lid lift resolutions and supporting materials, see our [Levy Lid Lifts webpage](#).

According to MRSC's [Local Ballot Measure Database](#), most single-year county levy lid lifts (with the exception of King County) have failed in recent years.

## Multi-Year Levy Lid Lifts

### Quick Summary

- Allows counties to exceed the 1% annual levy lid for any of their levies for up to 6 years.
  - If lid lift is temporary, all subsequent levies are limited to a 1% annual increase until the measure expires, at which point the maximum allowable levy reverts to what it would have been without the lid lift.
  - If lid lift is permanent, all subsequent levies are limited to a 1% annual increase and the levy increase never expires or reverts.
- Cannot use a levy lid lift if county is levying its statutory maximum rate.
- Must use all of your banked capacity before seeking a levy lid lift.
- Revenues are must be used for any limited purpose.
- Requires voter approval.

**RCW: [84.55.050\(2\)](#)**

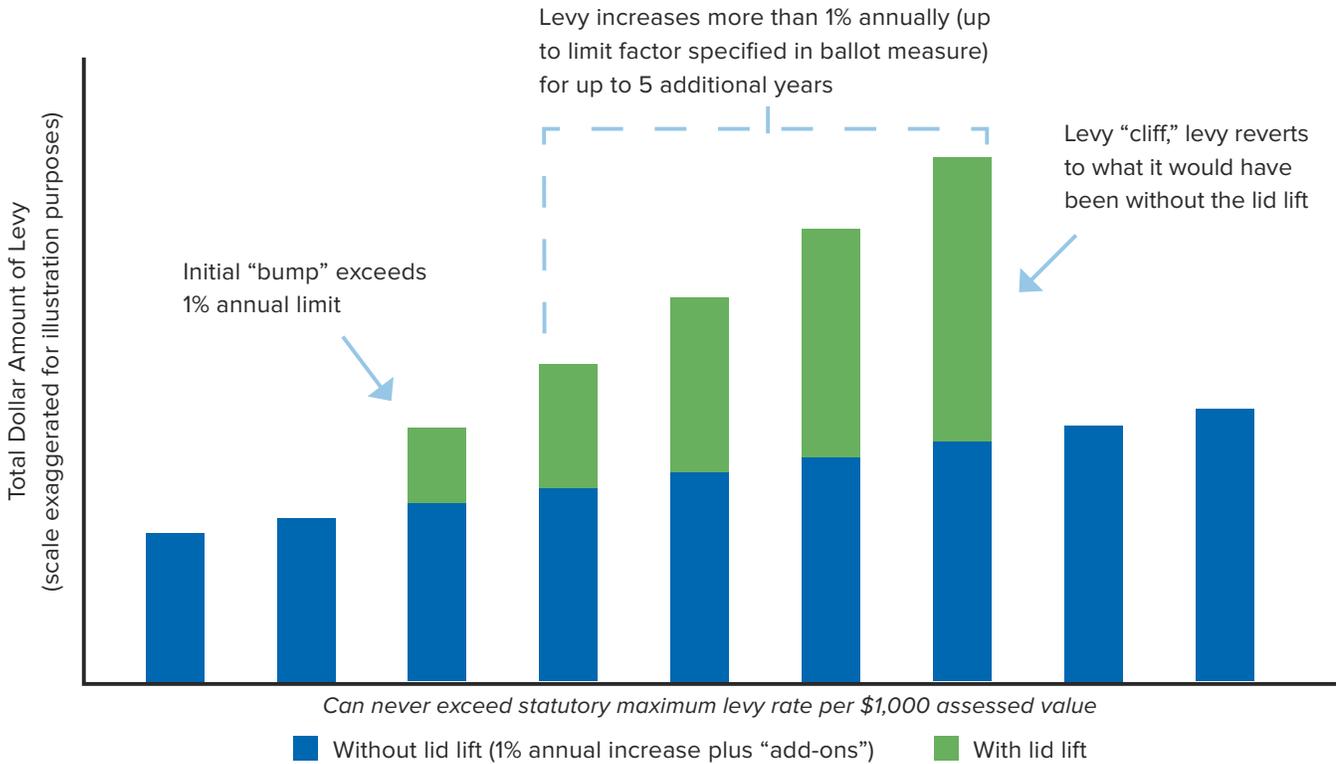
The state legislature added the “multi-year” levy lid lift option in 2003. Unlike the single-year (“one-bump”) levy lid lift, which bumps up once and is then used to calculate the 1% limitation for the remainder of the levy, a multi-year levy lid lift authorizes a jurisdiction to bump up or exceed the 1% limitation *each year* for up to six consecutive years.

Multi-year lid lifts may be temporary or permanent. With a temporary multi-year lid lift, the levy lid bumps up more than 1% each year (up to the limit factor specified in the ballot measure) for up to six years. When the lid lift expires, the levy lid reverts to what it *would have been* if the levy lid lift never existed and the county had increased its levy by the maximum allowable amount each year in the meantime ([RCW 84.55.050\(5\)](#)).

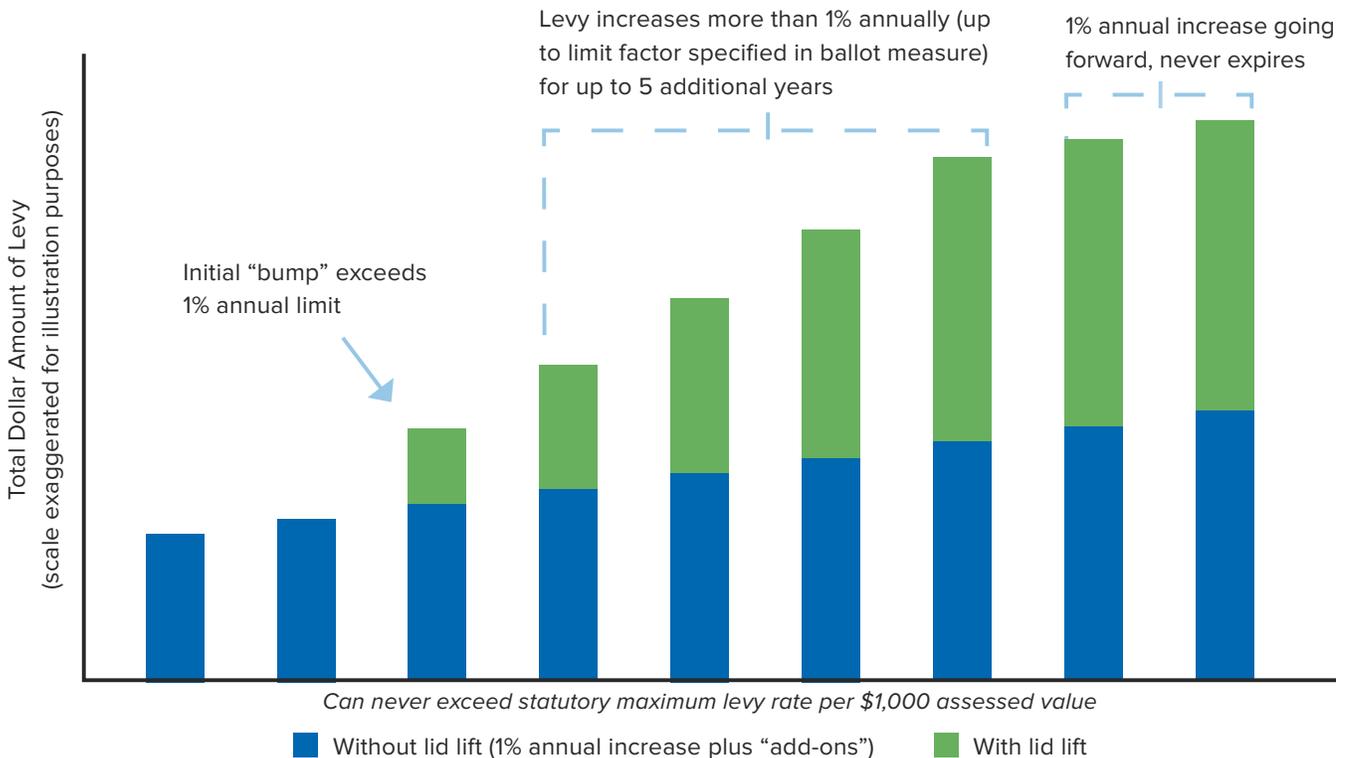
With a permanent multi-year lid lift, the levy lid bumps up more than 1% each year (up to the limit factor specified in the ballot measure) for up to six years. However, the lid lift does not revert and the maximum levy in the final year of the lid lift is then used as the base to calculate all future 1% levy limitations.

See the examples on the next page. Occasionally, a jurisdiction may adopt a “hybrid” approach, in which the levy amount increases more than 1% for up to six years, followed by several years of 1% increases, and then the levy lid lift expires and reverts to what it would have been without the lid lift.

## MULTI-YEAR TEMPORARY LEVY LID LIFT



## MULTI-YEAR PERMANENT LEVY LID LIFT



## Use of Revenues

A multi-year levy lid lift may be used for any *limited* purpose, and the ballot must state the limited purposes for which the increased levy will be used. Both requirements are more restrictive than a single-year lid lift, which can be used for any lawful governmental purpose with no requirement to state the purpose. The statute does not define how limited a “limited purpose” must be, but some attempt should be made to identify a purpose that is narrower than “any general fund purpose” or “general governmental purposes.”

Multi-year lid lifts may also be used for debt service for up to nine years, in which case they may fall somewhere in between “temporary” and “permanent.” If a multi-year lid lift is used to pay debt service, the increased levy may not last for more than 9 years total (except for Thurston County, which may use a levy lid lift up to 25 years for debt service). The multi-year lid lift would exceed the 1% limit for up to 6 years, and then the lid would increase up to 1% annually for the remaining years. After no more than nine years, the levy would expire and the levy lid would revert to what it would have been without the lid lift.

However, note that the amount of revenue generated by a levy lid lift is not guaranteed to provide the precise amount of revenue needed to repay the debt, since the revenues generated by the levy lid lift depend upon assessed valuation, levy rate limitations, and the 1% annual levy lid.

King County may not use a multi-year levy lid lift to supplant or replace existing funding. For supplanting purposes, “existing funds” means the actual operating expenditures for the calendar year in which the ballot measure is approved by voters. However, there is no supplanting restriction for any other county.

## Choosing a Limit Factor

The lift must state the total tax rate *for the first year only* – it *cannot* state the maximum rate in future years. For all subsequent years, the measure must identify a maximum “limit factor” which the total levy amount cannot exceed, which temporarily overrides the normal 1% annual levy lid. If the amount of the increase for a particular year would require a levy rate that is above the county’s maximum levy rate, the assessor will levy only the maximum amount allowed by law.

The limit factor can be stated as an annual percent increase or the rate of change in a specific inflation index, and it does not have to be the same each year. For instance, the limit factor might be 3% annually, or 6% annually for the first two years and 4% annually after that, or the annual inflation increase as measured by an index such as the Consumer Price Index (CPI). However, the ballot title may only have 75 words, so you do not have much space to get too creative or provide too much detail.

**Practice Tip:** If you are using an inflation index such as the CPI for your limit factor, make sure to specify exactly which inflation index (CPI-U, CPI-W, etc.) you are using. The federal Bureau of Labor Statistics recommends using a national CPI index for measuring inflation, rather than a regional CPI index such as Seattle-Tacoma-Bellevue. Not only is the Seattle-Tacoma-Bellevue index published less frequently (every two months instead of every month), but it is based on a smaller sample and is therefore more volatile and subject to more measurement error. However, some local jurisdictions within Washington do use the Seattle CPI index for inflation.

In addition, you may want to consider including a provision to the effect of, “the percentage change in the [CPI-U, CPI-W, etc.] or 1%, whichever is greater,” which would allow you to take the normal 1% increase even if inflation falls below 1%. Otherwise, you could be limiting your jurisdiction’s ability to increase its levy if inflation drops below 1% during the multi-year lid lift timeframe. For instance, if the CPI only increases by 0.5% in the second year of your lid lift, you may be limited to a 0.5% increase in your levy amount, which would also reduce your maximum allowable levies in future years.

## Ballot Measure Requirements

Multi-year lid lifts may be submitted at any primary or general election, but they may not be submitted at a February or April special election. Multi-year lid lifts require a simple majority vote, and there are no validation (minimum voter turnout) requirements.

A multi-year lid lift ballot measure must:

- State the total levy duration (number of years).
- If permanent, state that it is permanent or that the dollar amount of the levy will be used for the purpose of computing the limitations for subsequent levies.
- State the maximum tax *rate* to be collected in the first year (for instance, \$1.50 per \$1,000 AV)
- State the *limit factor* to be used for all subsequent years (stated as an annual percent increase or inflation index). The amounts do not need to be the same for each year.
- State the exemption for senior citizens and persons with disabilities under [RCW 84.36.381](#), if the county wishes to exempt these individuals.

The ballot measure also must comply with [RCW 29A.36.071](#), which limits the ballot title to 75 words or less. For examples of levy lid lift resolutions and supporting materials, see our [Levy Lid Lifts webpage](#).

The ballot measure *cannot* state the maximum levy *rate* for subsequent years after the first year, since future rates cannot be calculated without first knowing the levy amount and the assessed valuation for each year. For instance, the ballot measure can state that it will increase the first year levy to \$1.80 per \$1,000 AV, but it *cannot* state that it will maintain the \$1.80 rate for the next five years.<sup>22</sup>

According to MRSC’s [Local Ballot Measure Database](#), King County is the only county to attempt (and pass) a multi-year levy lid lift in recent years. A few other counties have attempted single-year levy lid lifts, which have generally been unsuccessful.

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<sup>22</sup> If the intention were to maintain the same levy rate over the lid lift period, the closest you could come would be to choose a “limit factor” in the ballot measure that would be equal to the year-over-year rate of increase in assessed value for your jurisdiction, excluding new construction and other “add-ons.” However, in jurisdictions with rapidly increasing assessed values, the rate could be so high that it might be politically unpalatable to voters.

Below are examples of correct and incorrect ballot measure language for multi-year levy lid lifts. These are examples only, based on real-life instances we have seen. Counties have some flexibility in how they phrase a levy lid lift ballot measure and do not have to follow this exact wording.

### **CORRECT**

This proposition would restore the city's regular property tax levy rate to \$3.00 per \$1,000 of assessed valuation for collection in 2020 and authorizes annual increases up to 6% for each of the succeeding five years...

This proposition would authorize a maximum regular property tax levy rate of \$2.10 per \$1,000 of assessed valuation for collection in 2020 and sets the limit factor for the five succeeding years at 100% plus the annual percentage change in the CPI-W or 1%, whichever is greater...

*Both of these ballot measures correctly establish a levy rate for the first year, with a limit factor (percentage increase) for the next 5 years.*

### **INCORRECT**

This proposition would increase the city's regular property tax levy rate to \$2.25 per \$1,000 of assessed valuation for collection in 2020, 2021, and 2022...

*This measure incorrectly establishes a levy rate for three years.*

This proposition would authorize a regular property tax levy rate of \$2.00 per \$1,000 assessed value for collection in 2020, increase the 2021-2023 maximum levies by \$0.30 per \$1,000 assessed value, and increase the 2024-2025 maximum levies by \$0.20 per \$1,000 assessed value...

*This measure correctly establishes a levy rate for the first year but then incorrectly increases the levy rate for the next 5 years, instead of establishing a limit factor (percentage increase).*

## Validation/Voter Turnout Requirements

Voted bond measures, and certain voted property taxes, require a 60% supermajority *and* a minimum level of voter turnout, known as “validation.” If voter turnout is too low and a ballot measure does not meet its validation requirements, it will fail.

The only county revenue options requiring validation are bond measures, excess O&M levies, criminal justice levies, permanent EMS levies, or the initial imposition of a 6-year or 10-year EMS levy. There are also some special purpose district levies that require validation, including park and recreation service area levies. Levy lid lifts, sales taxes, and other voted revenue sources have no minimum turnout requirements and do not require validation.

Validation is calculated by comparing the voter turnout in the current election to the most recent general election, which means the validation requirements change from year to year depending on voter turnout the preceding November. Following each general election, the county auditor must determine the number of voters participating in the election for each taxing district (including the county and the county road district) and provide that number to each taxing district (see [WAC 434-262-017](#)).

However, it is up to each taxing district to determine the validation requirements for any of its upcoming ballot measures and to determine whether the measure passed. The county auditor’s office counts the number of “yes” and “no” votes for each ballot measure but is *not* responsible for determining the minimum validation requirements or determining whether the measure passed. Consult your legal counsel and make sure you know whether your ballot measure requires validation and, if it does, what the minimum approval thresholds are.

**Practice Tip:** Validation is not a problem for most jurisdictions in most years, but it can occasionally create difficulties, particularly in low-turnout special elections (February and April) or in years immediately following high-turnout general elections. The highest turnout general elections, invariably, are those corresponding to the United States presidential election and Washington gubernatorial election, which occur on the same cycle every four years. So, pay particular attention to validation if your county is planning to run a bond measure or 60% voted property tax in February or April, or at any time in the year following a presidential election!

### Validation Requirements for 60% Voted Property Taxes (Except Bonds)

The validation requirements for EMS levies ([RCW 82.52.069\(2\)](#)), criminal justice levies ([RCW 84.52.135](#)), and excess O&M levies ([Washington State Constitution](#), Article VII, Section 2(a)) are spelled out separately, but the requirements are the same. Note that validation is required for permanent EMS levies or the initial imposition of a 6-year or 10-year EMS levy, but not for an EMS levy lid lift or the “subsequent renewal” of an EMS levy at a rate previously approved by voters.

For 60% voted property taxes, except bonds, the measure must meet one of the following requirements:

- **40% minimum turnout:** The number of voters voting on the proposition must be at least 40% of the number of voters who cast ballots in the taxing district in the most recent state general election,

AND the measure must receive at least a 60% “yes” vote.

- **“Backdoor” provision if turnout is under 40%:** If the number of voters voting on the proposition is less than 40% of the number of voters who cast ballots in the taxing district in the most recent state general election, the number of “yes” votes must be at least 60% of 40% (or, in plain English, 24%) of the number of votes cast in the most recent state general election. This means that the measure can still pass with less than 40% turnout, but the required “yes” percentage starts climbing above 60%. Theoretically, a property tax measure could pass with as little as 24% turnout using the “backdoor” method, but that would require the support of 100% of the voters. (This backdoor provision does *not* apply to bond measures.)

For an illustration of how validation works for 60% voted property taxes, see the examples below. In these examples, the number of voters who cast ballots in the county in the most recent general election is 10,000. If the number of voters voting on the proposition is at least 4,000 (40% of 10,000), the measure requires a 60% supermajority to pass. If the number of voters voting on the proposition is *less* than 4,000, the “backdoor” provision kicks in and the measure requires at least 2,400 “yes” votes (24% of 10,000) for passage.

Examples of Validation for 60% Voted Property Taxes (Except Bonds)			
Number of voters casting ballots in most recent general election = 10,000			
Number of voters voting on proposition	“Yes” votes	“No” votes	Election result
8,000	4,800 (60%)	3,200 (40%)	<b>PASSED</b> received 60% yes vote
6,000	3,540 (59%)	2,460 (41%)	<b>FAILED</b> did not receive 60% yes vote
4,000	2,600 (65%)	1,400 (35%)	<b>PASSED</b> received 60% yes vote
3,500	2,100 (60%)	1,400 (40%)	<b>FAILED</b> did not receive 2,400 yes votes
3,500	2,450 (70%)	1,050 (30%)	<b>PASSED</b> received 2,400 yes votes

*Turnout ≥ 40% of last general election*

*Turnout < 40% of last general election*

*“Backdoor” method*

### Validation Requirements for Bond Measures

The validation requirements for bond measures are stricter. Every voted bond measure requires a 60% supermajority in favor *and* minimum turnout of 40% compared to the most recent general election. There is no “backdoor” provision for bond measures. If turnout is below the 40% threshold, the bond measure will fail no matter how many “yes” votes it receives.

However, there is a slight discrepancy between the statutory and constitutional requirements for bonds, which creates some uncertainty as to exactly how to calculate bond measure turnout. The [Washington State Constitution](#), Article VII, Section 2(b) states that “the total number of voters *voting on the*

*proposition* shall constitute not less than forty percent of the total number of voters voting in such taxing district at the last preceding general election” [emphasis added].

But [RCW 84.52.056](#)(1) states that “the total number of persons *voting at the election* must constitute not less than forty percent of the voters in the municipal corporation who voted at the last preceding general state election” [emphasis added].

The statutory requirement is slightly less stringent than the constitutional requirement, as the number of people *voting at the election* may be slightly greater than the number of people *voting on the proposition*. This is because ballot propositions sometimes have a small number of “undervotes” (voters who cast a ballot in the election but left that particular measure blank) or “overvotes” (voters selecting more than one choice, in which case the vote is not counted). The difference between the two standards is slight, but to be prudent we recommend using the more restrictive constitutional standard and counting the number of voters *voting on the proposition*.

For an illustration of how bond measure validation works, see the examples below, using the exact same numbers as in the property tax example on the previous page. Again, the number of voters who cast ballots within the county in the most recent general election is 10,000. If the number of voters voting on the proposition is at least 4,000 (40% of 10,000), the measure requires a 60% supermajority to pass. But this time there is no “backdoor” provision. If the number of voters voting on the proposition is *less* than 4,000, the bond measure fails no matter how many “yes” votes it receives.

Examples of Validation for Voted Bond Measures				
<i>Number of voters casting ballots in most recent general election = 10,000</i>				
Number of voters voting on proposition	“Yes” votes	“No” votes	Election result	
8,000	4,800 (60%)	3,200 (40%)	<b>PASSED</b> received 60% yes vote	
6,000	3,540 (59%)	2,460 (41%)	<b>FAILED</b> did not receive 60% yes vote	
4,000	2,600 (65%)	1,400 (35%)	<b>PASSED</b> received 60% yes vote	<i>Turnout ≥ 40% of last general election</i>
3,500	2,100 (60%)	1,400 (40%)	<b>FAILED</b> did not receive 40% turnout	<i>Turnout &lt; 40% of last general election</i>
3,500	2,450 (70%)	1,050 (30%)	<b>FAILED</b> did not receive 40% turnout	<i>Measure fails</i>

## ANNUAL LEVY CERTIFICATION PROCESS

As noted earlier, Washington uses a budget-based property tax system (see [page 10](#)). This means that counties and other taxing districts, as part of their annual budget process, must first establish the total dollar amount of property tax revenue they wish to generate for the upcoming year, subject to several restrictions. Once the total dollar amount is established, the levy rate is calculated based on the assessed valuation and other factors.

All counties must follow certain statutory procedures when setting their budgets, but one of the first steps in the budget process is the forecasting of revenues which includes the amount to be raised by property taxes. For details, see our [Budget Preparation Procedures for Counties](#) webpage.

When forecasting the amount to be raised by property taxes, all taxing jurisdictions including counties must consider whether they want to increase their levy amounts over last year's and by how much. Upon making this determination and holding the required public hearing ([RCW 84.55.120](#)), you must adopt an ordinance/resolution stating both the dollar increase for each levy and the percentage change from the prior year ([RCW 84.55.120](#)).<sup>23</sup> This levy increase requirement is *separate* from the levy certification requirement that states the total property tax levy being adopted within the budget. We know many attorneys want to combine these two requirements into one document, but it is a good idea to follow the statutory language and keep them separate.

According to the statutory language, the ordinance for the levy increase may cover a period of up to two years, but it must state the dollar increase and the percent change for each year individually.<sup>24</sup> The state Department of Revenue (DOR) [Property Tax Forms](#) webpage, under "Levy Forms," includes sample property tax ordinances (64 0101).

In addition, the county legislative body must certify its desired levy amount for each of its levies to the county assessor no later than November 30 each year ([RCW 84.52.070](#))(2)). If the county fails to follow these requirements or misses the November 30 deadline, it may not increase next year's levy above the current levels.

DOR encourages counties to use its Levy Certification Form (64 0100) on its [Property Tax Forms](#) webpage.<sup>25</sup> DOR likes counties and other taxing districts to use this form because it cuts down

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<sup>23</sup> [RCW 84.55.120](#) states that the taxing district must adopt an "ordinance or resolution," However, the language in this statute was written with all taxing districts in mind. For special purpose districts and some counties, a resolution is the highest level of authority. For cities, towns, and some other counties, an ordinance is the highest level of authority. It is our conclusion that any taxing district must use its highest level of authority to pass this document.

<sup>24</sup> Note that the percent change from the prior year's levy expressed in this separate ordinance may be much greater than 1%, even if the taxing district is only taking the maximum allowable 1% increase. That is because the percent expressed in this ordinance is a percentage above the absolute dollar amount levied in the previous year, while the maximum allowable 1% increase is calculated on top of adjustments for new construction, annexations and changes in value of certain state-assessed property. If a taxing jurisdiction is utilizing "banked capacity," the percent expressed in this ordinance will also be greater than 1%. Neither of these situations is cause for alarm and neither violates the 101% levy lid.

<sup>25</sup> Note that this form was written on the assumption that the taxing districts adopt their budgets before November 30. However, counties are not required to adopt their budgets until December 31, and many counties have not yet adopted their final budgets by November 30, so you might need to edit the last sentence. Rather than saying "which was adopted following a public hearing held on \_\_\_\_\_," you might say "which will be adopted following a public hearing scheduled to be held on \_\_\_\_\_."

on errors. The county assessors can easily see how much property tax each taxing district is asking for, rather than having to plow through an ordinance trying to find the relevant numbers. So, if you submit your DOR levy certification form and property tax levy ordinance together, you will make DOR and your county assessor happy. Be sure the amounts match those in your levy ordinance. These documents may be submitted electronically or via postal service, but either way we recommend you get confirmation that they were received.

You must adopt a separate ordinance for your current expense and road levies, as well as any additional levies your county might have imposed (such as EMS levies), and fill out a separate levy certification form for each.

Counties with a population of 10,000 or more may also need to adopt a separate resolution/ordinance of “substantial need” if the annual inflation rate falls below 1% on September 25 (see [page 53](#)).

The levy that your county imposes will be collected during the upcoming calendar year. The year that the levy ordinance is adopted is sometimes referred to as the “levy year,” with the following year when revenues are received referred to as the “collection year.”

**Practice Tip:** Even if your county is not increasing its levy at all, you should still adopt an ordinance stating that you are increasing your levy by \$0 (a 0% increase) plus the increase due to new construction and add-ons. Doing so will automatically preserve, or “bank,” your future levying capacity, should you decide you need those funds at a later date (see [page 55](#)).

## RECEIPT OF PROPERTY TAX REVENUES

Property taxes are due on April 30 and October 31, with penalties incurred if the payment is more than one month late ([RCW 84.56.020](#)). In some counties, the treasurer transfers the county’s share of the revenue received on a daily basis. In other counties, the treasurer makes the transfer on the 10th day of the month, paying interest on the balances it has held until that time.<sup>26</sup> This means that counties receive the bulk of their property tax revenue in May and June (for the April deadline) and in November and December (for the October deadline).

Because these revenues are primarily received during two times of the year, counties that are heavily dependent on property taxes should budget in a strategic way to ensure sufficient ending fund balance (cash carryover) and maintain a healthy cash flow from the end of the year to the next property tax receipting cycle. For guidance, see MRSC’s [Fund Balance and Reserve Policies](#) webpage.

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<sup>26</sup> See [RCW 84.56.230](#); [RCW 36.29.110](#); *Seattle v. King County*, 52 Wn. App. 628 (1988), rev. denied, 112 Wn.2d 1002 (1989) (Cities entitled to interest accumulated on tax collection prior to distribution).

# Retail Sales and Use Taxes

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The State of Washington imposes a 6.5% sales tax on most retail sales within the state, and counties (as well as cities and towns, transit districts, and public facilities districts) can impose local sales taxes on top of the state rate. (For the purposes of this section, “sales tax” means a “sales and use tax” unless otherwise noted.)

Counties were first granted the authority to impose a local sales and use tax in 1970, and at the time it was considered the most significant change in taxing authority in Washington State. Sales taxes are classified as excise taxes by the Washington State Supreme Court. Excise taxes are the broadest category of taxes and include all taxes other than property tax, and the sales and use tax is the largest sector of excise tax.

For counties, sales taxes are typically the second-largest revenue source in the general fund budget, preceded only by property taxes. As retail shopping continues to evolve and shift to an Internet-based market, counties may see shifts in the amount of sales tax income and its importance to the county budget.

In 2008 the State of Washington adopted a destination-based sales tax system known as the “streamlined sales tax.” Under this agreement, the point of sale (the location where sales tax is calculated) is considered to be the point of delivery (i.e. the destination). For example, if you buy camera equipment online from a retailer in Oregon and have it shipped to Richland, you must pay the local sales tax rate applicable for the City of Richland. Likewise, if you buy furniture online that is shipped from a warehouse in Auburn and have it delivered to Port Angeles, you must pay the local sales tax rate applicable for the City of Port Angeles.

With the switch to a destination-based sales tax, some counties and other local governments lost a significant amount of sales tax revenue. To offset these losses, the legislature established streamlined sales tax (SST) mitigation payments to compensate the affected jurisdictions. This change primarily impacted cities, not counties, and there are no longer any counties receiving SST mitigation.

Sales taxes can be especially advantageous for counties with significant shopping or commercial centers due to the large sales volumes and significant tax revenues that can be generated. They can also be helpful for counties with tourist attractions, since sales taxes can generate extra revenue from out-of-town visitors. However, in many cases counties must share some of their sales tax revenues with cities, reducing the amount the county actually receives.

Sales taxes also have some drawbacks. In particular, sales tax revenues are particularly sensitive to economic conditions, which means that if the economy slows down or a major retailer closes, county budgets may be hard hit. In addition, Washington’s tax structure – and particularly its heavy reliance on sales taxes and lack of a state income tax – has been criticized as one of the most regressive in the country, meaning the tax burden (as a percent of income) falls hardest upon low-income households, who have to spend a large portion of their income on retail goods and basic needs.

But regardless, under current state law sales taxes are one of the largest and most important revenue sources available to counties in Washington State.

## WHAT ITEMS ARE TAXED?

Sales taxes apply to most retail sales of “tangible personal property” within Washington, as defined in [RCW 82.04.050](#). In addition, beginning in 2018 the Marketplace Fairness Act requires all “remote sellers” without a physical presence in the state (such as Internet or mail-order retailers) to either collect and remit sales taxes on all purchases or to prominently post and track information on use taxes.

However, there are a large number of specific sales tax exemptions listed in [chapter 82.08 RCW](#). These exemptions change with some frequency as new exemptions are written and older ones expire or are repealed. Perhaps the most visible exemptions for consumers are prescription drugs ([RCW 82.08.0281](#)) and groceries ([RCW 82.08.0293](#)), although alcohol, restaurant meals, and prepared foods sold in grocery stores are taxable.

Sales tax exemptions that may be of particular interest to counties are those for copies made in response to public records requests ([RCW 82.08.02525](#)) and labor and services on transportation projects ([RCW 82.04.050](#)(10) and [WAC 458-20-171](#)).

Services to individuals and businesses – things like haircuts, medical bills, consultant fees, etc. – are not “personal property,” and most services are not subject to sales tax. However, some services are subject to sales tax, as listed in [RCW 82.04.050](#). For example, lodging and all other services provided by a hotel, motel, etc. are subject to the retail sales tax, as are physical fitness activities.

In addition, residents of certain other states or Canadian provinces are exempt from sales taxes for goods they purchase to be used out-of-state if those states or provinces either have no sales tax (or similar), or if the sales tax is less than 3% ([RCW 82.08.0273](#)). The most notable examples are Alaska, Montana, and Oregon residents, who are eligible for this exemption because they do not have a state sales tax. However, this exemption is applied at the sole discretion of the retailer, as it requires receiving and retaining proof of out-of-state residency. These exemptions are only available at the time of purchase, and any sales taxes paid cannot be refunded retroactively. This exemption has an impact on border jurisdictions in particular, which must factor this variable into their revenue projections.

## WHAT IS A USE TAX?

If purchases are made out-of-state by a Washington resident or business for use in Washington, and the sales tax paid is less than the rate being levied within their local jurisdiction, state law requires that a “use tax” be calculated and paid to make up the difference (see [chapter 82.12 RCW](#) and [WAC 458-20-178](#)).

For example, if you buy furniture in Oregon (where there is no sales tax) and bring it back to Washington, and the sales tax rate in your jurisdiction is 8.2%, you owe a use tax of 8.2% of the purchase price. Likewise, if you buy some clothes in Idaho, where the sales tax rate is 6%, and your local sales tax rate is 8.2%, you owe a 2.2% use tax.

Practically speaking, few consumers pay a use tax, unless the purchase is of a car or truck where a use tax must be paid before the vehicle can be licensed. Otherwise, use taxes paid by individuals depend on voluntary compliance and perhaps to some extent remote sellers' compliance with the Marketplace Fairness Act (see below). However, Washington businesses typically do pay use taxes on out-of-state purchases due to the fact that they are audited by the Department of Revenue (DOR).

Similarly, counties should be aware that DOR also audits local governments on a regular schedule to ensure compliance with the use tax requirements. Failure to pay the appropriate use tax can result in fines and interest due.

Prior to 2018, "remote sellers" and "marketplace facilitators" without a physical presence in Washington State were not required to charge any sales tax for Internet or mail-order sales, although some opted to do so voluntarily. In situations where remote sellers and facilitators did not charge sales tax, use tax was due but seldom collected.

Beginning in January 2018, the Marketplace Fairness Act in Washington State required almost all remote sellers to either collect sales taxes on purchases delivered to Washington, or to inform consumers that use taxes were due and to provide annual reports on this activity to both the consumer and the state Department of Revenue (DOR). Most remote sellers opted to collect and remit sales taxes directly to DOR, rather than track and report use taxes.

The collection of sales and use tax from remote sellers and facilitators was reinforced with the 2018 U.S. Supreme Court decision in [\*South Dakota v. Wayfair, Inc., No. 17-494\*](#), wherein the Court determined that state and local governments could require remote and Internet sellers to collect sales taxes. As a result of this decision, DOR released notice that remote sellers and marketplace facilitators with \$100,000 or more of gross retail sales or 200 or more retail transactions during a calendar year are required to collect and remit sales tax on all taxable sales and no longer have the option to report use taxes.

The Marketplace Fairness Act, coupled with the *Wayfair* decision, has resulted in a significant increase in sales tax revenues and should eliminate the vast majority of use tax noncompliance issues for Internet and catalog orders.

## **COUNTY SALES TAX OPTIONS**

Sales tax rates vary from county to county depending on exactly which taxes have been imposed – and at what rates – by the county, city, and other taxing districts.

Most of a county's sales tax revenue is generated from the "basic" (or "first half") and "optional" (or "second half") sales taxes, which are unrestricted and may be used for any lawful governmental purpose. In addition, counties have a number of other sales tax options available. However, these tax options are less flexible and must be used for certain designated purposes.

Generally speaking, most sales taxes beyond the "first half" and "second half" require voter approval

with a simple majority approval. Most sales taxes may be imposed permanently with no maximum duration, but there are some exceptions. The Department of Revenue collects and distributes all local sales taxes, retaining 1% as an administrative fee in most cases ([RCW 82.14.050](#)).<sup>27</sup>

The remainder of this chapter discusses the options available to counties, as well as the timing of receipts and sales tax rate changes.

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<sup>27</sup> By statute, the DOR administrative fee is capped at a maximum rate of 2%. However, by contract DOR has established an administrative fee of just 1%.

## “Basic” Sales Tax/First Half-Cent

### Quick Summary

- Sales tax of 0.5% – revenues are unrestricted and may be used for any lawful governmental purpose.
- Currently imposed by all counties.
- Revenue shared with cities.

**RCW: 82.14.030(1)**

Any county may impose a non-voted sales and use tax at the rate of 0.5% on any taxable event (**RCW 82.14.030(1)**). The Department of Revenue calls this tax the “basic” or “regular” 0.5% in its reports, but it is also commonly referred to as the “first half-cent” or “first half” to differentiate it from the “second half-cent” described on the next page.

Cities and towns have the same authority, and as of 2018 every city, town, and county in Washington has imposed the first half-cent. However, the combined city/county rate may not exceed 0.5 percent, so cities and counties must share the revenues as described below.

### Use of Revenues

The revenues are unrestricted and may be used for any lawful governmental purpose.

### Revenue Sharing

Counties receive 100% of the first half sales tax revenues from the unincorporated areas, but they receive only a small percentage of the sales tax revenues generated in the incorporated areas.

When both the city and county are levying the first half, the county must credit back the full amount of the city’s first half sales tax under **RCW 82.14.040(1)** so that the combined rate does not exceed 0.5%. The county then receives 15% of the city’s first half-cent sales tax revenue for an effective rate of 0.075% (15% of 0.5%) within the incorporated areas. The remaining 0.425% (85% of 0.5%) goes to the respective cities and towns.

See the table below. In addition, the Department of Revenue retains 1% as an administrative fee.

Revenue-sharing for “first half” sales taxes				
If county imposes	and city imposes	County taxpayers pay	County’s effective sales tax rate in unincorporated area is	County’s effective sales tax rate in incorporated area is
0.5%	0.5%	0.5%	0.5%	0.075% (15% of 0.5%)

## “Optional” Sales Tax/Second Half-Cent

### Quick Summary

- Sales tax up to 0.5% – revenues are unrestricted and may be used for any lawful governmental purpose.
- Currently imposed at the maximum rate by all counties except Asotin County and Klickitat County.
- Revenue shared with cities.

**RCW: 82.14.030(2)**

Any county may impose an additional non-voted sales tax in increments of 0.1% up to 0.5% ([RCW 82.14.030\(2\)](#)). DOR refers to this as the “optional” sales tax – often referred to as the “second half-cent” or “second half.”

Cities and towns have the same authority to adopt this optional second half sales tax. As with the first half-cent, the total combined city/county rate may not exceed 0.5%, so cities and counties must share the revenue as described below.

As of 2018, every county has imposed the full 0.5% second half-cent except for Asotin County (which imposes 0.3%) and Klickitat County (which has not imposed a second half sales tax). Meanwhile, every city or town has imposed the full 0.5% second half-cent except for Asotin and Clarkston (which have both imposed 0.3%).

Implementation requires a majority vote of the legislative body and does not require voter approval. However, changes to the tax rate are subject to possible referendum ([RCW 82.14.036](#)).

### Use of Revenues

The revenues are unrestricted and may be used for any lawful governmental purpose.

### Revenue Sharing

The revenue-sharing provision is similar to the first half/basic 0.5% sales tax. Counties receive 100% of the second half sales tax revenues from the unincorporated areas, but they receive only a small percentage of the sales tax revenues generated in the incorporated areas of cities and towns within the county.

When the county imposes the second half at a rate equal to the city – which almost all counties have – the county must credit back the full amount of the city’s second half sales tax under [RCW 82.14.040\(2\)](#). The county will then receive 15% of the second half revenues from the city, with the remaining 85% distributed to the city.

For most counties, the county’s rate effectively drops to 0.075% (15% of 0.5%) within the incorporated areas. For Asotin County, where both the county and its cities have imposed a 0.3% sales tax, the

county's rate equates to 0.045% (15% of 0.3%) within the incorporated areas.

For counties that impose a rate less than the city, the county will receive 15% of the city's rate within the incorporated area. The city will receive an amount equal to 85% of the county's rate, plus 100% of everything above the county's rate. As of 2018, this only applies to Klickitat County, which has not imposed the second half sales tax. As a result, Klickitat County receives no revenue from the second half, while its cities retain 100% of the second half sales tax revenue from the incorporated areas.

When the county imposes its second half-cent at a rate greater than the city – which no counties in Washington do as of 2018 – the county receives an amount equal to 15% of the city rate, plus 100% of the revenues above the city's rate.<sup>28</sup>

See the examples below. In addition, the Department of Revenue retains 1% as an administrative fee.

Revenue-sharing for “second half” sales taxes				
If county imposes	and city imposes	County taxpayers pay	County's effective sales tax rate in unincorporated area is	County's effective sales tax rate in incorporated area is
0.5%	0.5%	0.5%	0.5%	0.075% (15% of 0.5%)
0.3%	0.3%	0.3%	0.3%	0.045% (15% of 0.3%)
0.3%	0.5%	0.5% in city; 0.3% in unincorporated areas	0.3%	0.045% (15% of 0.3%)
No sales tax	0.5%	0.5% in city; no sales tax in unincorporated areas	—	— (City receives entire 0.5%)

<sup>28</sup> Also see [AGO 2006 No. 18](#) for a comprehensive explanation of how the county and city rates interrelate under different scenarios.

## Affordable Housing & Related Services Sales Tax

### Quick Summary

- Sales tax up to 0.1% – revenues are restricted and must be used for affordable housing, mental health, and related services.
- May be imposed by any county.
- Requires voter approval.

**RCW: [82.14.530](#)**

Any county may levy a sales tax up to 0.1% for affordable housing and related services ([RCW 82.14.530](#)). This relatively new option was enacted by the state legislature in 2015 and requires voter approval.

Cities also have the same authority. However, if the county imposes an affordable housing sales tax prior to a city, the city may not impose this sales tax. If a city has already imposed an affordable housing sales tax and the county imposes the same sales tax at a later date, the county must credit the full amount back to the city. In other words, the county will not receive any of the sales tax revenues from any city that has already imposed this sales tax.

### Use of Revenues

At least 60% of the revenue must be used for constructing affordable housing, constructing mental and behavioral health-related facilities, or funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided. The affordable housing and facilities may only be provided to people within specified population groups whose income is 60% or less of the county median income. For specific eligibility language, see [RCW 82.14.530\(2\)\(b\)](#).

The remaining funds must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services. No more than 10% of the revenue may be used to supplant existing local funds.

### Ballot Measure Requirements

The sales tax must be approved by a simple majority of voters and may be submitted at any special, primary,<sup>29</sup> or general election. According to MRSC's [Local Ballot Measure Database](#), as of 2018 no counties have attempted this sales tax. Ellensburg and Olympia were the first two cities to attempt this sales tax, and both passed by a comfortable margin.

### Revenue Sharing

There are no revenue-sharing provisions. The county receives 100% of the revenue, minus any credits back to cities that have imposed this sales tax. DOR also retains a 1% administrative fee.

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<sup>29</sup> [RCW 82.14.530](#) states that the tax must be submitted at "a special or general election," which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four "special elections" each year, including the primary election. So for these purposes, "special election" includes the primary election.

## Criminal Justice Sales Tax

### Quick Summary

- Sales tax of 0.1% – revenues are restricted and must be used for criminal justice.
- May be imposed by any county.
- Revenue shared with cities.
- Does not require voter approval.

**RCW: 82.14.340**

Any county may impose a 0.1% sales tax for criminal justice purposes ([RCW 82.14.340](#)), and most counties currently do so. This sales tax may only be imposed by the county, but the county must share its revenues with all cities and towns in the county.

This sales tax is imposed legislatively by ordinance or resolution and does not require voter approval. However, it is subject to possible referendum under [RCW 82.14.340](#) and [RCW 82.14.036](#), even if your county is a non-charter county and does not otherwise have powers of initiative and referendum.

### Use of Revenues

The statute defines “criminal justice purposes” as:

[A]ctivities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and which includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in [RCW 70.123.020](#).

### Revenue Sharing

10% of the revenues are distributed to the county, while the remaining 90% is split between the county and its cities on a per capita (population) basis. The county’s per capita share is based on unincorporated population.

See the following example. In addition, the Department of Revenue retains 1% as an administrative fee.

### Example of Revenue-Sharing for County Criminal Justice Sales Tax

Total sales tax revenues	\$1,000,000
County receives 10%	\$100,000
Remainder for distribution	\$900,000

Jurisdiction	Population	Percent of Countywide Population	Remaining Revenues Distributed <i>(% population x \$900,000)</i>
City A	3,500	5%	\$45,000
City B	21,000	30%	\$270,000
City C	7,000	10%	\$90,000
Unincorporated county	38,500	55%	\$495,000
TOTAL	70,000	100%	\$900,000

<b>County receives a grand total of:</b>	<b>\$595,000 (\$100,000 plus \$495,000)</b>
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## Cultural Access Program Sales Tax

### Quick Summary

- Sales tax up to 0.1% – revenues are restricted and must be used to benefit or expand access to nonprofit cultural organizations.
- Maximum duration of 7 years; may be renewed for additional 7-year periods.
- May be imposed by any county.
- Requires voter approval.

**RCW: [82.14.525](#); [chapter 36.160 RCW](#)**

Any county may impose a sales tax up to 0.1% for up to seven years to benefit or expand access to nonprofit cultural organizations ([RCW 82.14.525](#); [chapter 36.160 RCW](#)). The measure requires voter approval.

Cities have similar authority under the same statute. However, the enabling legislation (see [RCW 36.160.030](#)) provided counties with the first right of refusal and did not allow a city to place this measure on the ballot unless either (a) the county adopted a resolution forfeiting its right, or (b) the county did not place such a proposition before the voters by June 30, 2017.

Since the 2017 deadline has passed, any city or town may now place a cultural access program sales tax on the ballot. While the statutory language is not entirely clear, it is our interpretation that a city and a county may *not* impose this sales tax concurrently. In other words, if a city within the county has enacted this sales tax and created a cultural access program, the county may not impose this sales tax as long as the city sales tax is in place. However, if no city within the county has imposed such a sales tax, or if the city's sales tax expires and is not renewed, the county may still submit this measure to voters.

### Use of Revenues

The revenues must be used in accordance with [RCW 36.160.110](#), which is very detailed and has separate criteria for King County (sub-section 2) and all other counties (sub-section 1). The funds may be used for a number of purposes related to cultural access programs, including start-up funding, administrative and program costs, capital expenditures or acquisitions, technology, and public school programs to increase cultural program access for students who live in the city.

A “cultural organization,” as defined in [RCW 36.160.020](#), must be a 501(c)(3) nonprofit corporation with its principal location(s) in Washington State and conducting a majority of its activities within the state. The primary purpose of the organization must be the advancement and preservation of science or technology, the visual or performing arts, zoology (national accreditation required), botany, anthropology, heritage, or natural history.

State-related cultural organizations are eligible, but the funding may not be used for local or state

government agencies, radio/TV broadcasters, cable communications systems, internet-based communications services, newspapers, magazines, or fundraising organizations that redistribute money to multiple cultural organizations.

The county may not use the funding to replace or supplant existing funding ([RCW 36.160.050](#)). The county must affirm that any funding the county usually and customarily provides to cultural organizations will not be replaced or materially diminished. If the organization receiving funds is a state-related cultural organization, the funds received may not replace or materially diminish state funding.

### Ballot Measure Requirements

The sales tax must be approved by a simple majority of voters and may be submitted at any special, primary,<sup>30</sup> or general election. It may be re-imposed for one or more additional 7-year periods, but voter approval is required each time. According to MRSC's [Local Ballot Measure Database](#), as of 2018 King County is the only county that has attempted to use this sales tax authority, but voters narrowly rejected the measure.

### Revenue Sharing

There are no revenue-sharing provisions. The county retains 100% of the revenue, and unlike most local sales taxes that have a 1% administrative fee withheld by the Department of Revenue, this sales tax must be collected and distributed to the county at no cost.

### Property Tax Alternative

As an alternative, any county except King County<sup>31</sup> may also levy a property tax under [RCW 84.52.821](#) for cultural access programs (see [page 36](#)). From a revenue standpoint, the property tax and sales tax options are roughly equivalent: the amount of revenue generated by the property tax may not exceed 0.1% of the retail sales in the county for the most recent calendar year, both options require a simple majority vote, and both are capped at seven years but may be renewed with voter approval.

Deciding whether to impose the sales tax or the property tax option is a policy decision for the county to make, although it is worth noting that the property tax levy could be reduced or eliminated through prorationing if the \$5.90 or \$10 property tax caps are exceeded.

The sales tax and property tax options are mutually exclusive. If a county imposes the sales tax option it may *not* impose the property tax option for as long as the sales tax is in effect, and vice versa ([RCW 36.160.080](#)).

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30 [RCW 82.14.525](#) states that the tax must be submitted at "a special or general election," which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four "special elections" each year, including the primary election. So for these purposes, "special election" includes the primary election.

31 Any county with a population of 1.5 million or more may only impose the sales tax and may not impose the property tax under [RCW 84.52.281](#) (see [RCW 36.160.080](#)).

## Emergency Communications (E-911) Sales Tax

### Quick Summary

- Sales tax of 0.1% – revenues are restricted and must be used for emergency communications systems and facilities.
- May be imposed by any county.
- Requires voter approval.

**RCW: 82.14.420**

Any county may impose a 0.1% sales tax for emergency communications (E-911) systems and facilities ([RCW 82.14.420](#)). The measure requires voter approval. Cities have no such authorization and cannot impose an emergency communications sales tax.

### Use of Revenues

The revenues must be used “solely for the purpose of providing funds for costs associated with financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of emergency communication systems and facilities.” Counties are also authorized to develop joint ventures to collocate emergency communications systems and facilities.

### Ballot Measure Requirements

The sales tax may be submitted at any special, primary, or general election and must be approved by a simple majority of voters. According to MRSC’s [Local Ballot Measure Database](#), these measures tend to be very successful. While the tax may be imposed permanently, some counties have chosen to impose temporary sales taxes instead – typically around 10 years and submitting them to voters for renewal as needed.

Prior to submitting this tax to the voters, any county that provides emergency communications service to another governmental agency via interlocal agreement must review the contract and re-negotiate or affirm its terms.

### Revenue Sharing

Most counties receive 100% of the revenue and do not share the revenues with cities. However, any county over 500,000 population that contains a city over 50,000 population, where the city operates emergency communications systems and facilities, must enter into an interlocal agreement with the city to determine revenue distribution.

In addition, the Department of Revenue retains 1% as an administrative fee.

## Juvenile Detention Facility & Jails Sales Tax

### Quick Summary

- Sales tax of 0.1% – revenues are restricted and must be used for juvenile detention facilities and jails.
- May be imposed by any county with a population under 1 million.
- Requires voter approval.

**RCW: [82.14.350](#)**

Any county with a population of less than 1 million may impose a 0.1% sales tax for juvenile detention facilities and jails ([RCW 82.14.350](#)). The measure requires voter approval.

### Use of Revenues

The revenues must be used “solely for the purpose of providing funds for costs associated with financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of juvenile detention facilities and jails.” While the statutory language is somewhat unclear, our conclusion is that these revenues may be used for adult jails as well as juvenile detention facilities.<sup>32</sup> Counties are also authorized to develop joint ventures to colocate juvenile detention facilities and jails.

### Ballot Measure Requirements

The sales tax may be submitted at any special, primary, or general election and must be approved by a simple majority of voters. According to MRSC’s [Local Ballot Measure Database](#), these measures are usually (but not always) successful. While the tax may be imposed permanently, some counties have chosen to impose temporary sales taxes instead – typically around 10 years and submitting them to voters for renewal as needed.

### Revenue Sharing

There are no revenue-sharing provisions. The county retains 100% of the revenue, minus a 1% administrative fee for the Department of Revenue.

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<sup>32</sup> Our conclusion is based on the final house bill report and bill digest for the original 1995 legislation (HB 2110), which state that the legislation “[authorizes] the imposition of taxes by counties for correctional facilities and juvenile detention facilities.” In addition, subsection 4 of the statute states, “Counties are authorized to develop joint ventures to colocate juvenile detention facilities and to colocate jails.” Both of these sentences support the conclusion that “jails” and “juvenile detention facilities” are two separate purposes, and that the term “juvenile” modifies only “detention facilities” and not “jails.”

## Mental Health & Chemical Dependency Sales Tax

### Quick Summary

- Sales tax of 0.1% – revenues are restricted and must be used for mental health and drug treatment purposes.
- May be imposed by any county.
- Does not require voter approval.

**RCW: 82.14.460**

Any county may impose a 0.1% mental health and chemical dependency sales tax ([RCW 82.14.460](#)). This sales tax may be imposed by the legislative body and does not require voter approval. Cities are not authorized to impose this sales tax, with the exception that any city in Pierce County with a population over 30,000 may impose the tax.<sup>33</sup>

### Use of Revenues

The revenues must be used:

[S]olely for the purpose of providing for [new or expanded programs and services for] the operation or delivery of chemical dependency or mental health treatment programs and services and for the operation or delivery of therapeutic court programs and services. For the purposes of this section, “programs and services” includes, but is not limited to, treatment services, case management, transportation, and housing that are a component of a coordinated chemical dependency or mental health treatment program or service.

The statute initially provided for a certain percentage of the sales tax revenues to supplant existing funding (depending on the size of the jurisdiction and when it imposed the tax). However, these provisions have now expired (with the exception of replacing lapsed federal funding), so counties must use the funds for new or expanded programs and services.

Any county that imposes this sales tax is also required to establish and operate a therapeutic court component for drug dependency proceedings “designed to be effective for the court’s size, location, and resources.” The revenues may be used to support the cost of the judicial officer and support staff of the therapeutic court.

### Revenue Sharing

There are no revenue-sharing provisions. The county retains 100% of the revenue, minus a 1% administrative fee for the Department of Revenue. However, if Pierce County imposes a mental health sales tax, it must provide a credit against its tax to any city that already imposes the tax.<sup>34</sup>

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<sup>33</sup> Technically, this statute applies to any city with a population over 30,000 in a county with a population over 800,000 that has not imposed a county-level mental health tax. As of 2018, King, Pierce, and Snohomish counties are the only counties over 800,000 population. However, King County and Snohomish County have both imposed a mental health sales tax, so this statute only applies to cities in Pierce County.

<sup>34</sup> As of 2018, Tacoma is the only city in Pierce County that imposes a mental health and chemical dependency sales tax.

## Public Safety Sales Tax

### Quick Summary

- Sales tax up to 0.3% – revenues are partially restricted; 1/3 must be used for criminal justice and/or fire protection.
- May be imposed by any county.
- Revenue shared with cities.
- Motor vehicle sales and first 36 months of motor vehicle leases are exempt.
- Requires voter approval.

**RCW: [82.14.450](#)**

Any county may impose a sales tax of up to 0.3% for public safety with voter approval ([RCW 82.14.450](#)). Motor vehicle sales and the first 36 months of motor vehicle leases are exempt. For instance, if the local sales tax rate is 8.7%, including a 0.3% public safety sales tax, the sales tax rate for motor vehicle sales and leases would be 8.4%.

Cities and towns may also impose a public safety sales tax under the same statute, with a lower maximum rate of 0.1 percent. However, the combined city/county rate may not exceed 0.3 percent. For instance, if the county imposes a rate of 0.2% and the city imposes a rate of 0.1%, the total combined rate will be 0.3%. However, if the city imposed a 0.1% sales tax first and then the county imposes a 0.3% sales tax at a later date, the county must credit the 0.1% back to the city (effectively lowering the county's rate to 0.2% within the city) so it does not exceed the combined 0.3% rate. If the county already levies the full 0.3%, no city within the county may impose a new public safety sales tax because doing so would exceed the maximum 0.3% rate.

### Use of Revenues

At least one-third of the revenue must be used solely for criminal justice purposes (as defined in [RCW 82.14.340](#)), fire protection purposes, or both. The statute does not provide a specific definition of “fire protection purposes,” but it defines “criminal justice purposes” as:

[A]ctivities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and which includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in [RCW 70.123.020](#).

The remaining two-thirds are unrestricted and may be used for any lawful governmental purpose.

### Ballot Measure Requirements

The sales tax may only be submitted at a primary or general election; it may *not* appear in any February or April special election. The ballot measure must clearly state the purposes for which the tax is to be used and must be approved by a simple majority of the voters.

According to MRSC’s [Local Ballot Measure Database](#), results in recent years have been mixed, with some county-level measures passing and some failing, and often the vote has been fairly close in either direction. While the tax may be imposed permanently, some counties have chosen to impose temporary sales taxes instead – varying widely from 5 years to 30 years and submitting them to voters for renewal as needed.

### Revenue Sharing

The revenues must be shared between the county and its cities, but the exact formula depends on which jurisdiction (city, county, or both) placed the issue on the ballot. The county retains 60% of any countywide public safety sales tax revenues, while the remaining 40% is distributed to the cities within the county on a per capita (population) basis. If a city imposes a public safety sales tax, the city retains 85% of the revenues and must share 15% of the revenue with the county.

In addition, the Department of Revenue retains 1% as an administrative fee. Below you will find examples of a few different scenarios to help demonstrate the revenue-sharing provisions.

**Example #1.** *City imposes public safety sales tax. City receives 85% of the revenue, with the remaining 15% distributed to the county.*

Example of Revenue-Sharing for CITY Public Safety Sales Tax	
Total CITY sales tax revenues	\$100,000
City receives 85%	\$85,000
County receives 15%	\$15,000

**Example #2.** *County imposes public safety sales tax. County receives 60% of the revenue, with the remaining 40% distributed on a per capita basis to the cities within the county.*

Example of Revenue-Sharing for COUNTY Public Safety Sales Tax	
Total COUNTYWIDE sales tax revenues	\$1,000,000
County receives 60%	\$600,000
Remainder for distribution	\$400,000

Jurisdiction	Population	Percent of Incorporated Population	Remaining Revenues Distributed <i>(% population x \$400,000)</i>
City A	10,000	25%	\$100,000
City B	22,000	55%	\$220,000
City C	8,000	20%	\$80,000
TOTAL	40,000	100%	\$400,000



**Example #3.** Both city and county have imposed a public safety sales tax. The same principles apply as above. The city keeps 85% of the city sales tax revenue, shares 15% with the county, and also receives a proportional share of the county's sales tax revenue based on population size. This example reflects a city imposing a 0.1% sales tax first and then the county imposing the maximum 0.3% sales tax later. The county must credit 0.1% back to the city so that the maximum rate is no greater than 0.3% within the city.

**Example of Revenue-Sharing for CITY AND COUNTY Public Safety Sales Tax**

Total COUNTYWIDE sales tax revenues at 0.3%	\$1,000,000
Total "CITY A" sales tax revenues at 0.1% <i>Imposed prior to county sales tax; county must credit back to City A</i>	\$100,000
Revised COUNTYWIDE sales tax revenues	\$900,000
County receives 60%	\$540,000
Remaining COUNTYWIDE revenues for distribution	\$360,000

Jurisdiction	Population	Percent of Incorporated Population	Remaining COUNTYWIDE Revenues Distributed <i>(% population x \$360,000)</i>
City A	10,000	25%	\$90,000
City B	22,000	55%	\$198,000
City C	8,000	20%	\$72,000
TOTAL	40,000	100%	\$360,000

Total "CITY A" sales tax revenues	\$100,000
City A receives 85%	\$85,000
County receives 15%	\$15,000

<b>COUNTY'S GRAND TOTAL</b>	County receives \$555,000 (\$540,000 from 0.3% county sales tax and \$15,000 from 0.1% city sales tax)
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## Rental Car Sales Tax – Public Sports

### Quick Summary

- Sales and use tax of 1% upon car rentals countywide.
- Revenues must be used for public stadium facilities and youth/amateur sports activities and facilities.

**RCW: 82.14.049**

Any county may impose a 1.0% sales and use tax upon taxable retail car rentals to fund public sports facilities and activities ([RCW 82.14.049](#)). This tax is applied countywide, including both the incorporated and unincorporated areas. It may be imposed by the legislative body and does not require voter approval. As of 2017, this tax has been imposed by Franklin, King, Kittitas, Pierce, and Spokane counties.

King County ([RCW 82.14.360](#)(2)-(6), for professional baseball stadium) and Sound Transit ([RCW 81.104.160](#)(2), for high-capacity transit) have additional rental car taxing authority that will not be discussed here.

### Use of Revenues

Rental car sales and use taxes must be used solely for public sports stadiums and/or youth or amateur sports activities or facilities. The proceeds may not be used to subsidize any professional sports team. The authorized uses include:

- Acquiring, constructing, maintaining, or operating public sports stadium facilities
- Engineering, planning, financial, legal, or professional services incidental to public sports stadium facilities
- Youth or amateur sports activities or facilities
- Debt or refinancing debt issued for these purposes.

King County has additional requirements to retire stadium debt.

## Rural Counties Public Facilities Sales Tax

### Quick Summary

- Any “rural county” may impose a credit of up to 0.09% against the state sales tax.
- Revenues must be used to finance public facilities serving economic development purposes.
- Tax generally may not be imposed for more than 25 years.
- Does not require voter approval.

**RCW: [82.14.370](#)**

Any “rural county” – defined as a county with a population density of less than 100 people per square mile or smaller than 225 square miles in land area – may impose a sales tax of up to 0.09% for economic development purposes ([RCW 82.14.370](#)). This tax is a credit against the 6.5% state sales tax and therefore does not result in a tax increase to the consumer.

The rural counties public facilities tax may be imposed by the legislative body and does not require voter approval. The tax expires after a maximum of 25 years. However, the 2009 legislative session re-set the timeline for the 25-year maximum, stating that any county imposing the tax at a rate of 0.09% before August 1, 2009 may collect the tax for 25 years after the date that the 0.09% rate was first imposed ([RCW 82.14.370\(4\)\(b\)](#)). For those counties that first imposed this tax in 2009, the sunset will be 2034.

### Use of Revenues

The revenues must be used to finance “public facilities” serving economic development purposes and finance personnel in economic development offices.

The statute provides the following definitions:

“Public facilities” means bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroads, electrical facilities, natural gas facilities, research, testing, training, and incubation facilities in innovation partnership zones designated under [RCW 43.330.270](#), buildings, structures, telecommunications infrastructure, transportation infrastructure, or commercial infrastructure, and port facilities in the state of Washington.

“Economic development purposes” means those purposes which facilitate the creation or retention of businesses and jobs in a county.

“Economic development office” means an office of a county, port districts, or an associate development organization as defined in [RCW 43.330.010](#), which promotes economic development purposes within the county.

The public facilities authorized under this tax must be listed in an officially adopted county overall economic development plan or, for counties fully planning under the Growth Management Act (GMA), the economic development section plan of the county’s comprehensive plan or the comprehensive plan

of a city or town located within the county. If the county is not fully planning under GMA and does not have an overall economic development plan, the public facilities must be listed in the county's capital facilities plan (CFP) or the CFP of a city or town located within the county.

### **Reporting Requirement**

The county must consult with its cities, towns, port districts, and associate development organization to ensure that the expenditures meet these goals and requirements. Counties implementing this tax must complete a supplemental schedule prescribed by the State Auditor's Office (Schedule 20) and include it within their annual financial report due each year within 150 days of the end of the calendar year. The supplemental schedule must provide a list of projects and expenditures for the fiscal period being reported and must additionally provide the amount of public facilities tax used for the project, estimated number of businesses created and/or retained by the project, and the estimated number of jobs created and/or retained.

## Transit Sales Tax

### Quick Summary

- Sales taxes up to 0.9% for transit and 1.0% for high-capacity transit – revenues are restricted and must be used for transit.
- May be imposed by counties that operate transit service.
- Requires voter approval.

**RCW:** [82.14.045](#), [81.104.170](#)

A county which has created an unincorporated transportation benefit area, any county transportation authority, or any metropolitan municipal corporation within a county of 1 million or more, may levy a sales tax between 0.1 and 0.9% (in increments of 0.1%) for public transportation purposes ([RCW 82.14.045](#)). The measure requires voter approval.

Few counties provide transit service directly, so more commonly this sales tax authority is used by public transportation benefit areas (PTBAs) or other transit providers. A county transportation authority, unincorporated transportation benefit area, or metropolitan municipal corporation may not impose this sales tax if it is located within another taxing district that already imposes a sales tax under this statute.

As of 2018, MRSC's [Tax and Population Data](#) shows that King County is the only county to impose this sales tax.

### Use of Revenues

The revenues must be used for the sole purpose of providing funds for the operation, maintenance, or capital needs of public transportation systems or public transportation limited to persons with special needs under [RCW 36.57.130](#) and [RCW 36.57A.180](#).

### Ballot Measure Requirements

The sales tax must be approved by a simple majority of voters. The statute does not specifically address when the sales tax may be presented to voters, which leads us to conclude that the ballot measure can be submitted at any special, primary, or general election.

### Revenue Sharing

There are no revenue-sharing provisions. The county retains 100% of the revenues, minus a 1% administrative fee for the Department of Revenue.

### High-Capacity Transit Sales Tax

County transportation authorities and metropolitan municipal corporations – as well as PTBAs and other transit authorities – may also impose an additional sales tax up to 1.0% with voter approval for the purpose of providing high-capacity transit service operating principally on exclusive rights-of-way ([RCW 81.104.170](#)). However, this option is unlikely to apply to most counties, and as of 2018 the only transit agency in the state that has implemented a high-capacity transit sales tax is Sound Transit.

## Transportation Benefit District Sales Tax

### Quick Summary

- Sales tax up to 0.2% – revenues are restricted and must be used for transportation.
- May be imposed by any county that has established a transportation benefit district.
- Maximum duration of 10 years unless used for repayment of debt; may be renewed once.
- Requires voter approval.

**RCW:** [82.14.0455](#), [36.73.040\(3\)\(a\)](#), [36.73.065\(1\)](#)

Any county that has formed a transportation benefit district (TBD) may impose a sales tax up to 0.2% to fund TBD projects ([RCW 82.14.0455](#), [RCW 36.73.040\(3\)\(a\)](#), and [RCW 36.73.065\(1\)](#)). Unlike most sales tax options, the TBD sales tax is limited in duration. A successful ballot measure is only imposed for 10 years, with the ability to place this same sales tax option back before the voters for one additional 10-year period. A TBD sales tax may only exceed 10 years if it is used for the repayment of debt.

### Use of Revenues

The revenues may be used for eligible “transportation improvements” listed in a local, regional, or state transportation plan in accordance with [chapter 36.73 RCW](#). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

### Ballot Measure Requirements

The sales tax must be approved by a simple majority of voters and may be placed on the ballot at any special, primary,<sup>35</sup> or general election ([RCW 36.73.065](#)). The proposition must include a specific description of the transportation improvement(s) proposed by the district and the proposed tax to be imposed. If the sales tax will be used for the repayment of debt in excess of 10 years, the ballot measure should state so and provide the length of the tax obligation.

According to MRSC’s [Local Ballot Measure Database](#), no county has attempted a TBD sales tax. However, cities have submitted dozens of these measures in recent years, and voters have approved the vast majority of them.

### Revenue Sharing

There are no revenue-sharing provisions. The TBD (or county, if the county has “assumed” the TBD under [chapter 36.74 RCW](#)) retains 100% of the revenues, minus a 1% administrative fee for the Department of Revenue.

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<sup>35</sup> [RCW 36.73.065\(1\)](#) states that the tax must be submitted at “a general or special election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

## Zoo & Aquarium Sales Tax

### Quick Summary

- Sales tax up to 0.1% – revenues are restricted and must be used for zoos, aquariums, and wildlife facilities.
- Only available to Pierce County.

**RCW: [82.14.400](#)**

Pierce County has imposed a 0.1% sales tax for zoos, aquariums, and wildlife facilities under [RCW 82.14.400](#). Pierce County is the only agency that has this authority. The sales tax required voter approval with a simple majority. The statute contains a number of specific provisions, including revenue sharing between the county and its cities and towns, but because this is only applicable to Pierce County and the county has already imposed this tax, we will not go into detail here.

## TIMING OF SALES TAX RECEIPTS

Most retailers remit their sales taxes to the Department of Revenue (DOR) on a monthly basis, with remittance due by the 25th of the following month.<sup>36</sup> The DOR distributes those collections, plus interest, to local governments on the last business day of the following month after subtracting a small administrative fee.<sup>37</sup>

This means that for most purchases, there is somewhere between a 60-day to 90-day time lag between collection (the actual retail sale) and the county’s receipt of the sales tax revenue from that sale. For instance, if a sale is made in January – regardless of whether the sale took place on January 1 or January 31 – the sales tax is typically remitted to DOR by February 25, and DOR would then distribute the money (minus the administrative fee) to the county around March 31.

Local sales tax revenues are in DOR’s possession for approximately one month prior to distribution and accrue interest during that time. Interest earned on the funds collected is paid to the county under the provisions of [RCW 82.14.050](#).

## TIMING OF SALES TAX RATE CHANGES

Increases in sales tax rates require some timing considerations. [RCW 82.14.055](#) provides that a local sales tax change may take effect no sooner than 75 calendar days after DOR receives notice of the change, and sales tax rate changes may only take effect on January 1, April 1, or July 1. (Note that sales tax rates no longer change on October 1.)

Summary of Sales Tax Rate Change Deadlines		
Sales tax takes effect	DOR must be notified no later than:	<i>(For voted measures)</i> Voters must approve no later than:
January 1	October 18	August primary election
April 1	January 16 <i>(January 17 during leap years)</i>	November general election
July 1	April 17	February special election

However, if a sales tax is a credit against the 6.5% state sales tax (such as the rural county public facilities sales tax or the “basic” lodging tax discussed in the next chapter), it may take effect no sooner than 30 days after DOR receives notice, and only on the first day of a month.

Notifying DOR is a key step to ensure your county receives its sales tax revenues on time. Cities should submit copies of the sales tax ordinance (or ballot measure resolution) to Ashley Boss, DOR Tax Administration, at [ashleyb@dor.wa.gov](mailto:ashleyb@dor.wa.gov). For non-voted sales taxes, the sales tax ordinance should be submitted to DOR as soon as the county legislative body adopts it. For voted sales taxes, the ballot measure resolution should be submitted to DOR as soon as possible following certification of the election results.

<sup>36</sup> [RCW 82.32.045](#) and [WAC 458-20-22801](#). The Department of Revenue can waive tax remittance for persons with gross sales less than \$28,000 per year or make the administrative decision to put smaller taxpayers on an annual or quarterly payment schedule.

<sup>37</sup> [RCW 82.14.050](#) - .060

For more information on key dates and deadlines for voted sales taxes, as well as other considerations for voted revenue sources, see [page 6](#).

## **MAXIMUM TAX RATE FOR SALES OF LODGING**

In addition to the authorized sales taxes, state law also authorizes most cities, towns, and counties to impose an “additional” lodging tax of up to 2% on the sales of lodging (see [page 99](#)). This lodging tax is treated as a sales tax, and under state law the maximum combined rate of all state and local sales and lodging taxes upon sales of lodging may not exceed the greater of 12% or the total sales tax rate that would have applied to the sale of lodging if the sale were made on December 1, 2000 ([RCW 82.14.410](#)). However, affordable housing sales taxes (see [RCW 67.28.181\(4\)](#)) and the first 0.4% of the Sound Transit high-capacity sales tax (adopted prior to December 1, 2000 – see [RCW 82.14.410\(2\)\(c\)](#)) are not included within this 12% cap.

Most jurisdictions are not that close to the 12% cap. However, any sales tax increase adopted after December 1, 2000 that would cause the total sales tax rate upon sales of lodging to exceed the 12% cap must provide an exemption for sales of lodging ([RCW 82.14.410](#)).

# Lodging Tax (Hotel/Motel Tax)

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## Quick Summary

- Any county may impose a lodging tax up to 4%, of which:
  - 2% is a credit against the state sales tax.
  - 2% is in addition to the sales tax rate.
- A few jurisdictions have been grandfathered in with varying rates.
- Revenues are restricted and must generally be used for tourism activities or tourism-related facilities.
- May also be used to repay debt for affordable workforce housing within ½ mile of a transit station.
- Counties of 5,000 or more must establish a lodging tax advisory committee (LTAC) to review funding applications and recommend awards.
- Does not require voter approval.

**RCW:** [67.28.180](#) and [67.28.181](#)(1)

Any county has the authority to levy lodging taxes, also known as “hotel/motel taxes,” on all charges for furnishing lodging at hotels, motels, and short-term rentals (STR), including such activities as Airbnb, bed and breakfasts (B&Bs), RV parks, and other housing and lodging accommodations for periods of time less than 30 days. The tax is collected as a sales tax and paid by the customer at the time of the transaction. These taxes may be imposed by the legislative body and do not require voter approval.

In addition, most cities/towns and certain public facilities districts also have lodging tax authority.

There are two lodging tax options:

- A **“basic”** or **“state-shared”** lodging tax up to 2% that is taken as a credit against the 6.5% state sales tax rate, so that the lodging patron does not see any tax increase.
- An **“additional”** or **“special”** lodging tax up to 2% on top of the state sales tax rate that results in a higher tax bill for the patron.

If a county imposes both options at the maximum rate, that would bring the total local lodging tax rate to 4%. Both the “basic” and the “additional” lodging taxes will be discussed further in the following pages, along with the use and distribution of funds, lodging tax advisory committees (LTACs), and reporting requirements.

Lodging taxes are different than tourism promotion area fees (see [page 172](#)), and lodging taxes may be imposed in addition to tourism promotion area fees.

## **“BASIC” OR “STATE-SHARED” LODGING TAX**

Any county has the authority to levy a “basic” or “state-shared” lodging tax up to 2% ([RCW 67.28.180](#)), which is taken as a credit against the 6.5% state sales tax ([RCW 67.28.1801](#)) so that there is no tax increase and the total tax paid by the patron is equal to the retail sales tax in the jurisdiction in which the lodging is located. The state’s portion of the sales tax rate on lodging effectively drops from 6.5% to 4.5% within those jurisdictions.

Cities have similar “basic” lodging tax authority. The city’s basic rate is credited against the county’s basic rate ([RCW 67.28.180\(2\)](#)). For instance, if both the city and the county impose the full 2% basic lodging tax, the total rate will be 2% countywide, but the county will not receive revenues from the incorporated area because it must credit those revenues back to the city.

The basic lodging tax has a few exceptions:

- King County has separate authority, and no city located within King County may impose the basic lodging tax (see [RCW 67.28.180\(2\)\(c\)\(ii\)](#)), except for Bellevue which has legislation allowing it to collect a rate up to 2% until its related debt is retired (subsection (2)(c)(iii)).
- No city that is located within a county that is exempt under [RCW 67.28.180\(2\)\(b\)](#) may impose the basic lodging tax so long as the county remains exempt. As of 2018, Yakima County is the only county exempt under that subsection, so no city within Yakima County may impose this tax. However, there is also an exception that grandfathers in the City of Yakima and allows it to collect a basic lodging tax up to 2% until its related debt is retired (subsection (2)(c)(iii)).
- For Bellevue/King County and City of Yakima/Yakima County, the statutory exemptions allow the jurisdictions to “double-dip,” meaning that the city lodging tax is not taken as a credit against the county rate. Instead, the city and county rates are added together, resulting in a credit of up to 4% against the state sales tax rate within Bellevue and the City of Yakima. This means the state only receives a 2.5% sales tax on lodging in those two cities.

## “ADDITIONAL” OR “SPECIAL” LODGING TAX

In addition to the “basic” 2% lodging tax, any county may impose an “additional” or “special” lodging tax up to 2% in increments no smaller than 0.1% ([RCW 67.28.181\(1\)](#)). Unlike the “basic” lodging tax, which is taken as a credit against the 6.5% state sales tax, the “additional” lodging tax is *not* a credit and results in a tax increase for the lodging patron. If the basic and additional lodging tax are each levied at a rate of 2%, the combined lodging tax rate would be 4%, and the total tax paid by the patron would be equal to the retail sales tax in the jurisdiction plus the additional/special lodging tax of 2%.

Cities also have similar authority, and if the city has imposed the “additional” lodging tax, the city’s additional lodging tax must be taken as a credit against the county’s additional rate ([RCW 67.28.181\(3\)](#)). For example, if both the city and the county impose the full 2% “additional” lodging tax, the total additional rate will be 2% countywide, but the county will not receive revenues from the incorporated area because it must credit those revenues back to the city.

The additional lodging tax has a few exceptions:

- Counties and cities that imposed a combined lodging tax greater than 4% before July 27, 1997 were grandfathered in under [RCW 67.28.181\(2\)\(a\)](#). This includes Grays Harbor and Pierce counties (and the cities within them), plus the cities of Airway Heights, Bellevue, Chelan, Leavenworth, Long Beach, Winthrop, and Yakima.
- Any city located within a county that had the authority to levy a countywide 4% lodging tax before January 1, 1997 may not impose the additional 2% ([RCW 67.28.181\(2\)\(b\)](#)). This applies to all cities in Cowlitz and Snohomish counties.
- Cities that imposed a combined lodging tax rate of 6% before January 1, 1998 are grandfathered in under [RCW 67.28.181\(2\)\(d\)](#). This occurred due to a unique set of circumstances and only applies to the cities of Wenatchee and East Wenatchee.

The maximum combined sales and lodging tax rate upon sales of lodging may not exceed 12% ([RCW 67.28.181\(1\)](#)).<sup>38</sup> The statutes included within the 12% cap are [chapter 36.100 RCW](#) (public facilities districts), [chapter 82.08 RCW](#) (state sales tax), [chapter 82.14 RCW](#) (local sales taxes), [chapter 67.28 RCW](#) (lodging taxes), and RCW chapter 67.40 (convention and trade center tax – repealed in 2010). However, affordable housing sales taxes (see [RCW 67.28.181\(4\)](#)) and the first 0.4% of the Sound Transit high-capacity sales tax (adopted prior to December 1, 2000 – see [RCW 82.14.410\(2\)\(c\)](#)) are not included within the 12% cap.

Most counties and cities are not that close to the 12% cap, and the cap does not affect the ability of any counties to impose the maximum “basic” lodging tax allowed by law since it is taken as a credit against the state sales tax and does not increase the sales tax rate. However, the 12% cap may limit the “additional” lodging tax rate that some jurisdictions, particularly cities within King County, may impose. [RCW 82.14.410](#) provides that any local sales and use tax increase adopted after December 1, 2000 must exempt lodging sales if the increase would cause the total combined lodging/sales tax rate to exceed the greater of the 12% cap or the actual combined lodging/sales tax rate in effect on December 1, 2000.

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<sup>38</sup> There is an exception for Seattle, where the convention center lodging tax is higher. The city may impose an “additional” lodging tax up to 4%, and the combined lodging and sales tax rate may not exceed 15.2% under [RCW 67.28.181\(2\)\(c\)](#).

## DISTRIBUTION AND USE OF LODGING TAX FUNDS

Lodging tax revenues are unlike most other local revenue sources in that most counties do not have complete control over how the revenues are spent. The money can be awarded to nonprofits, tourism organizations, and to the county or its cities for those activities associated with tourism facilities and tourism promotion. All prospective lodging tax recipients must apply for funding.

Any county with a population of 5,000 or more that has imposed lodging taxes – either the basic/ state-shared or the additional/special taxes – must establish a lodging tax advisory committee (LTAC) comprised primarily of representatives of the local lodging and tourism industries. All prospective funding recipients must apply to the LTAC for consideration. The LTAC will review the applications and make funding recommendations to the county legislative body for consideration.

Counties with a population of less than 5,000 are not required to establish an LTAC, although they may do so if desired. If the county does not have an LTAC, prospective applicants must apply directly to the county legislative body for consideration and funding. This section will discuss the use of revenues and the LTAC award process.

### Use of Revenues

All lodging tax revenues – including both the “basic” and “additional” lodging taxes – must be used for tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities ([RCW 67.28.1815](#) and [RCW 67.28.1816](#)), including:

- Tourism marketing;
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations *and* capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of tourism-related facilities owned or operated by nonprofit organizations (but *not* capital expenditures).

Counties may use the funds either directly, or indirectly through a convention and visitor’s bureau or destination marketing organization. [Chapter 67.28 RCW](#) demonstrates that it was the state legislative intent to provide local control over the use of lodging tax revenues and to provide for the distribution of this tax back to those organizations and agencies that promote tourism within the county.

Definitions are provided in [RCW 67.28.080](#). Of particular note are the following definitions:

“Tourism promotion” means activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies; and funding the marketing of or the operation of special events and festivals designed to attract tourists.

“Tourism-related facility” means real or tangible personal property with a usable life of three or more years, or constructed with volunteer labor that is: (a)(i) Owned by a public entity; (ii) owned by a nonprofit organization described under section 501(c)(3) of the federal internal revenue code of

1986, as amended; or (iii) owned by a nonprofit organization described under section 501(c)(6) of the federal internal revenue code of 1986, as amended, a business organization, destination marketing organization, main street organization, lodging association, or chamber of commerce and (b) used to support tourism, performing arts, or to accommodate tourist activities.

After conferring with the State Auditor's Office, we have also concluded that lodging tax revenues may be used to pay for staff support of the lodging tax advisory committee (LTAC), provided that proper application and reporting requirements are followed. Our conclusion comes from [RCW 67.28.1815](#), which states that the revenues must be used "solely for the purpose of paying all or any part of the cost of tourism promotion..." It is our opinion that the primary function of an LTAC is to promote and market tourism.

To avoid any concerns with Article 8, Section 7 of the state constitution, which prohibits gifts of public funds, a county should enter into a contract with any organization receiving lodging tax funds. The contract should spell out the tourism-related services to be provided in exchange for county funding as well as the required reports that must be filed by the recipient with the county that quantifies the services in terms of the number of tourists generated as a result of the funding.

Cities and counties may use lodging tax funds to repay debt associated with tourism related facilities owned by the municipality, and the 2015 legislation session provided counties with an additional option to use lodging tax revenues to repay general obligation bonds ([RCW 67.28.150](#)) or revenue bonds ([RCW 67.28.160](#)) issued for affordable workforce housing within a half mile of a transit station ([RCW 67.28.180](#)).

King County has a separate mandatory provision that requires at least 75% of the revenues to be used for affordable housing and the arts beginning in 2021.

### **Application and Award Process**

The entities that may apply for lodging tax funding are:

- Convention and visitors' bureaus;
- Destination marketing organizations;
- Nonprofits, including main street organizations, lodging associations, or chambers of commerce; and
- Municipalities (defined as any city, town, or county).

In counties with a population of 5,000 or more, applications for lodging tax funding must be submitted to a lodging tax advisory committee (LTAC). The LTAC must be appointed by the county's legislative body and must contain at least five members, including one elected county official who serves as chair, at least two representatives of businesses that are required to collect the lodging tax, and at least two people who are involved in activities that are authorized to be funded by the lodging tax ([RCW 67.28.1817](#)). The county may optionally appoint one city elected official as a nonvoting member. The county's legislative body must review the committee's membership annually and make changes as appropriate.

In counties of less than 5,000, applications are submitted to the county legislative body, unless the county voluntarily chooses to establish an LTAC.

**Practice Tip:** Counties with a population less than 5,000 that voluntarily establish an LTAC do not have to follow the statutory requirements outlined in [RCW 67.28.1816](#) and [.1817](#). If your county chooses to vary from the statutory requirements, it should adopt policies to provide clear direction and guidance.

All applications must include estimates of how funding the activity will result in increases to the number of people staying overnight, travelling 50 miles or more, or coming from another state or country. To ensure that the applicants are compliant with this statutory requirement, this information should be included in the lodging tax application form that will be filed with the county or the LTAC.

There is no requirement that priority for funding be given to applicants expected to generate the largest number of tourists, and lodging tax revenue may still be awarded to recipients who provide services that indirectly increase tourism such as destination marketing organizations.

**Practice Tip:** The State Auditor’s Office interprets the law to mean that all users of lodging tax funds, including municipalities, are considered applicants and must follow the relevant application procedures. So, counties should submit applications for their own projects to the LTAC.

For those counties required to establish an LTAC, the LTAC receives all applications for lodging tax revenue and recommends a list of candidates and funding levels to the county legislative body for final determination. The statute says that the legislative body “may choose *only recipients* from the list of candidates and recommended amounts provided by the local lodging tax advisory committee” ([RCW 67.28.1816\(2\)\(b\)\(ii\)](#), emphasis added). The legislative body may not award funds to any recipient that was not recommended by LTAC.

However, an [informal opinion from the Attorney General’s Office](#) in 2016 states that the legislative body may award amounts different from the LTAC’s recommended amounts, but only after satisfying the procedural requirements of [RCW 67.28.1817\(2\)](#). This requires the municipality to submit its proposed change(s) to the LTAC for review and comment at least forty-five days before final action is taken.

The county is not required to fund the full list of recommended recipients and may choose to make awards to only some or even none of the recommended recipients.

The law is silent on the frequency of the awards. Some jurisdictions choose to make the award process a part of their annual budget cycle while others may incorporate a mid-year awards procedure to account for unexpected increases or decreases in lodging tax revenues.

### **Rate Changes and Exemptions**

For those counties required to establish an LTAC, any proposal to impose a new lodging tax, raise the rate of an existing tax, repeal an exemption from the lodging tax, or change the use of the tax proceeds, must be submitted to the lodging tax advisory committee for review and comment ([RCW 67.28.1817\(2\)](#)).

This submission must occur at least 45 days before final action will be taken on the legislative body's proposal. Even if the committee finishes its work before the 45 days are up, the legislative body still must wait 45 days.

The committee's comments must include an analysis of the extent to which the proposal will accommodate activities for tourists or increase tourism, and of the extent to which it will affect the long-run stability of the fund to which the hotel-motel taxes are credited. If the advisory committee does not submit comments within the 45-day deadline, the legislative body may proceed with final action.

## REPORTING REQUIREMENTS

All counties *receiving* lodging tax revenues must report annually to the Joint Legislative Audit & Review Committee (JLARC) ([RCW 67.28.1816](#)). JLARC has established an [online reporting system](#), and the reporting requirements include:

- All lodging tax revenues received;
- All lodging tax revenues distributed and/or expended;
- All recipients of lodging tax monies, including the county itself, that may have directly used lodging tax funds for qualifying facilities, tourist events, or tourism administration; and
- For all recipients, the actual number of people traveling for business or pleasure on an overnight trip in paid accommodations, traveling 50 or more miles away from their business or place of residence for the day or overnight, or traveling from another country or state.

**Practice Tip:** The deadline for local governments to submit the annual lodging tax data to JLARC is May 15 for the year ending December 31 of the prior fiscal period. However, the JLARC online filing system can record and store lodging tax activity throughout the calendar year, so as part of your contract with recipients, we recommend that you require the recipient to file the actual number of attendees, overnight stays, and/or other associated tourism data as soon as the event or activity has been completed to assure the county's full compliance with JLARC.

In the event that your county received lodging tax revenues but did not have any distributions or expenses during the calendar year, the JLARC report must still be completed and filed by the deadline indicating no activity.

# Real Estate Excise Taxes (REET)

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The State of Washington levies a 1.28% real estate excise tax (REET) upon all sales of real estate under [chapter 82.45 RCW](#). A portion of the proceeds are deposited into the public works assistance account ([RCW 43.155.050](#)) for loans and grants to local government for public works projects; the city-county assistance account (see [page 134](#)) for distribution to qualifying cities and counties; and the education legacy trust account for the support of the common schools, expanding higher education, and other educational improvement efforts.

In addition, [chapter 82.46 RCW](#) authorizes counties to impose local real estate taxes on top of the state rate. The tax is calculated based on the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase ([RCW 82.46.010\(5\)](#) and [RCW 82.45.030](#)). However, the rate that the county can levy and the way it can use the revenues depends on the county's population and whether or not it is planning under the Growth Management Act (GMA).

The tax is due at the time of sale and is collected by the county when the documents of sale are presented for recording ([WAC 458-61A-301](#)). Real estate excise taxes are typically the responsibility of the seller of the property, not the buyer, although the buyer is liable if the tax is not paid. However, sometimes the buyer pays some or all of the tax as part of the negotiated sale agreement.

Some real estate property transfers are exempt from REET under [chapter 458-61A WAC](#). For instance, gifts of real property are generally exempt from REET ([WAC 458-61A-201](#)), as are transfers of property through wills or inheritance ([WAC 458-61A-202](#)) and transfers due to divorce settlement agreements ([WAC 458-61A-203](#)).

Any property sold by a government agency is exempt from REET, but generally any real property purchased by a government agency is subject to REET unless otherwise exempted ([WAC 458-61A-205](#)).

REET revenues can be somewhat volatile, since they depend on both the volume of real estate sales and the sale value of the properties sold. If the local real estate market is strong, tax revenues will be strong too. But if the local real estate market is weak, tax revenues will decline in direct proportion to the activity in the market.

The two main REET options for counties are:

- **REET 1 (“first quarter percent”)** – Any county may levy a 0.25% real estate excise tax within unincorporated areas primarily for capital projects and limited maintenance.
- **REET 2 (“second quarter percent”)** – Additional 0.25% real estate excise tax within unincorporated areas primarily for capital projects and limited maintenance, but may only be imposed by counties that are fully planning under GMA.

Because these revenue sources are restricted to specific purposes, they must be accounted for separately in a capital projects fund for REET 1 proceeds ([RCW 82.46.030\(2\)](#)) and/or a special revenue fund for REET 2 income. Those counties that are planning under GMA and levying both REET 1 and

REET 2 need to keep track of each of these revenues separately because the uses to which they may be applied are different.

State statute also provides several other, narrower REET options for counties, as described later in this chapter. The county treasurer also collects a small administrative fee on each real estate transaction (see [page 163](#)).

## REET 1 – the “First Quarter Percent”

### Quick Summary

- Any county may impose a 0.25% excise tax upon all real estate sales within unincorporated areas only.
- Revenues are restricted and may only be used for certain capital purposes and housing relocation assistance, depending on the county’s population and whether it fully plans under GMA.
- May also be used for limited capital facility maintenance, with additional reporting requirements.
- Does not require voter approval.

**RCW: 82.46.010(2)**

Any county may impose an excise tax of 0.25% – known as “REET 1” or the “first quarter percent” – upon all real estate sales within the unincorporated area only ([RCW 82.46.010\(2\)](#)). (Cities have similar authority within the incorporated areas.) REET 1 may be imposed by the legislative body and does not require voter approval. Almost all counties in the state have imposed REET 1.

### Use of Revenues

REET 1 revenues are restricted and may only be used for certain purposes. However, the exact purposes depend on the county’s population and whether or not it is fully planning under the Growth Management Act (GMA).

#### **Counties with a population of more than 5,000 that are fully planning under GMA:**

According to [RCW 82.46.010\(2\)\(b\)](#), these jurisdictions must spend the REET 1 revenues on “capital projects” that are listed in the capital facilities plan (CFP) element of their comprehensive plan. [RCW 82.46.010\(6\)](#) defines “capital projects” as:

[T]hose 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 facilities, judicial facilities, river flood control projects [...] and technology infrastructure that is integral to the capital project.

Sub-section (2)(b) also states that REET 1 funds may be spent on housing relocation assistance as defined within [RCW 59.18.440](#) and [59.18.450](#), which in summary provides assistance to low-income tenants under specific circumstances defined by statute and local ordinance.

In addition, a portion of the REET 1 proceeds may be used for the maintenance of capital facilities as described on the next page, with additional reporting requirements.

Note that REET 1 funds may not be used for developing or updating a capital facilities plan (CFP) or capital improvement plan (CIP), but they can be used for design, engineering, surveys, etc. associated with a specific qualifying project listed in a CFP or CIP.

**Counties that are not required to fully plan under GMA, or that are fully planning under GMA and have a population of 5,000 or less:**

According to [RCW 82.46.010](#)(2)(a), these jurisdictions must use REET 1 funds “for any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in [RCW 35.43.040](#).” [RCW 35.43.040](#) lists local improvements that can be funded through a local improvement district (LID), which includes projects such as streets, parks, sewers, water mains, swimming pools, and gymnasiums. Local capital improvements include the acquisition of real and personal property associated with such improvements – so for instance, land acquisition for parks is a permitted expenditure.

Capital projects not listed in the local improvement statute (for example, law enforcement facilities, courthouses, or administrative facilities) are also permitted uses as long as they are included in the county’s capital improvement plan. Expenditures that are not allowed are such things as the purchase of sheriff cars or backhoes. Accountants may consider these to be “capital” for accounting purposes, but they are not considered “capital purposes” or “local capital improvements” as defined in the REET statute.

A 1984 letter between the Attorney General’s office and a county prosecutor,<sup>39</sup> and confirmed in an Attorney General’s Memorandum in 1991, defines “local capital improvements” as “various kinds of things which may be done to a tract or parcel of tangible real property as an improvement thereto.”<sup>40</sup>

In addition, a portion of the REET 1 proceeds may be used for the maintenance of capital facilities as described below, with additional reporting requirements.

Note that REET 1 funds may not be used for developing or updating a capital improvement plan (CIP), but they can be used for design, engineering, surveys, etc. associated with a specific qualifying project listed in a CIP.

**Use of REET 1 for maintenance**

Any county, regardless of its population or whether it fully plans under GMA, may use up to \$100,000 or 25% of its available REET 1 funds – whichever is greater, but not to exceed \$1 million per year – for the maintenance of capital projects ([RCW 82.46.015](#)). The definition of capital projects is the same as in [RCW 82.46.010](#)(6)(b). The definition of maintenance is provided in [RCW 82.46.015](#)(5):

For purposes of this section, “maintenance” means the use of funds for labor and materials that will preserve, prevent the decline of, or extend the useful life of a capital project. “Maintenance” *does not* include labor or material costs for routine operations of a capital project [*emphasis added*].

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<sup>39</sup> [Informal opinion](#) dated March 6, 1984, from Philip H. Austin, Senior Deputy Attorney General, to Alan A. Hancock, Deputy Prosecuting Attorney for Island County.

<sup>40</sup> Memorandum opinion dated July 16, 1991, from Maureen Hart, Senior Assistant Attorney General, Legal/Fiscal Division, to Steven Marcotte, Assistant Chief Examiner, State Auditor’s Office

To use REET 1 funds for maintenance, the county must fulfill additional reporting requirements defined within [RCW 82.46.015](#), including preparing and adopting a written report that includes:

- Information necessary to demonstrate that the county has, or will have, adequate funding from all sources to pay for all capital projects identified in its capital facilities plan.
- How revenues collected under REET 1 have been used during the prior two-year period.
- How revenues collected under REET 1 will be used for the succeeding two-year period.
- What percentage of funds for capital projects is attributed to REET 1 revenues compared to all other sources of capital project funding.

This report must be adopted as part of the county's public budget process. Additionally, the county must declare that it has not enacted any requirement on the listing or sale of real property; or any requirement on landlords, at the time of executing a lease, to perform or provide physical improvements or modifications to real property or fixtures, except if necessary to address an immediate threat to health or safety; unless the requirement is specifically authorized by other state and federal laws.

## REET 2 – the “Second Quarter Percent”

### Quick Summary

- Any county that is fully planning under GMA may impose an additional 0.25% excise tax upon all real estate sales, in addition to the tax imposed under REET 1.
- Revenues are restricted and may only be used for certain transportation, water/storm/sewer, and park capital purposes.
- May also be used, with additional reporting requirements, for:
  - Limited capital facility maintenance.
  - REET 1 capital projects.
  - Homeless housing (through June 30, 2019 only).
- Does not require voter approval for counties required to plan under GMA, but does require voter approval for counties voluntarily planning under GMA.

**RCW:** [82.46.035\(2\)](#)

In addition to REET 1, any county that is fully planning under the Growth Management Act (GMA) may impose an additional 0.25% excise tax – known as “REET 2” or the “second quarter percent” – upon all real estate sales within the unincorporated area only ([RCW 82.46.035](#)). For counties that are *required* to fully plan under GMA, REET 2 may be imposed by the legislative body and does not require voter approval. However, any county that is *voluntarily* choosing to plan under GMA must submit the REET 2 proposition to voters.

### Ballot Measure Requirements for Voluntary GMA Counties

Voter approval for REET 2 is only required for counties that are *voluntarily* planning under GMA. The proposition may be submitted at any special, primary,<sup>41</sup> or general election and must be approved by a simple majority of voters. According to MRSC’s [Local Ballot Measure Database](#), the only county to attempt a voted REET 2 measure in recent years was Pacific County, but the measure failed.

### Use of Revenues

REET 2 revenues are restricted and may only be used for financing “capital projects” (as defined by statute) specified in the capital facilities plan element of the county’s comprehensive land use plan.

[RCW 82.46.035\(5\)](#) defines “capital project” as:

[T]hose 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.

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<sup>41</sup> [RCW 82.46.035\(2\)](#) states that the proposition must be submitted “at a general election held within the district or at a special election within the taxing district,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

The definition of “capital project” for REET 2 is more restrictive than it is in the REET 1 statute. REET 2 funds are more specifically directed to transportation; water, storm, and sewer systems; and parks capital projects. (However, note that park lands “acquisition” is not an allowed use for REET 2, but “acquisition” remains an allowed use for transportation, water, storm, and sewer systems.) REET 2 omits public facilities such as law enforcement, administration, and courts that were listed within the REET 1 statute.

However, REET 1 projects may be funded with REET 2 revenues as described below if certain limitations and additional reporting requirements are met.

Note that REET 2 funds may not be used for developing or updating a capital facilities plan (CFP) or capital improvement plan (CIP), but they can be used for design, engineering, surveys, etc. associated with a specific qualifying project listed in a CFP or CIP.

### **Use of REET 2 for maintenance, REET 1 projects, and homeless housing**

Any county may use up to \$100,000 or 25% of its available REET 2 funds – whichever is greater, but not to exceed \$1 million per year – for the following purposes ([RCW 82.46.037](#)):

- The maintenance of capital projects, as defined in [RCW 82.46.035\(5\)](#). The statute defines “maintenance” as “the use of funds for labor and materials that will preserve, prevent the decline of, or extend the useful life of a capital project. ‘Maintenance’ does *not* include labor or material costs for routine operations of a capital project” [*emphasis added*].
- REET 1 capital projects (see [page 108](#)).
- *From July 1, 2017 to June 30, 2019 only:* For the acquisition, construction, improvement, or rehabilitation of facilities to provide housing for the homeless.

To use REET 2 funds for these limited purposes, the county must fulfill additional reporting requirements defined within [RCW 82.46.037](#), including preparing and adopting a written report that includes:

- Information necessary to demonstrate that the county has, or will have, adequate funding from all sources to pay for all capital projects identified in its capital facilities plan for a two-year period.
- How revenues collected under REET 2 have been used during the prior two-year period.
- How revenues collected under REET 2 will be used for the succeeding two-year period.
- What percentage of funds for capital projects is attributed to REET 2 revenues compared to all other sources of capital project funding.

The report must be adopted as part of the county’s public budget process. Additionally, the county must declare that it has not enacted any requirement on the listing or sale of real property; or any requirement on landlords, at the time of executing a lease, to perform or provide physical improvements or modifications to real property or fixtures, except if necessary to address an immediate threat to health or safety; unless the requirement is specifically authorized by other state and federal laws.

## REET In Lieu of “Second Half” Sales Tax

### Quick Summary

- Any county that has not imposed the “second half” sales tax may impose an additional excise tax up to 0.5% upon all real estate sales.
- Revenues are unrestricted and may be used for any lawful government purpose.
- Almost all counties have imposed the “second half” sales tax, which will likely generate more revenue.
- Does not require voter approval but is subject to possible referendum.

**RCW: 82.46.010(3)**

Any county that is not levying the optional 0.5% “second half” sales tax (see [page 78](#)) may levy an additional real estate excise tax up to 0.5% upon all real estate sales within the unincorporated area only ([RCW 82.46.010\(3\)](#)). (Cities have similar authority within the incorporated areas.) However, almost all counties have levied the “second half” sales tax and are not eligible for this revenue source.

This additional REET authority does not require voter approval. However, the imposition of this tax, a change in rate, or a repeal of the tax may be subject to referendum ([RCW 82.46.021](#)).

From a financial standpoint, the 0.5% second half sales tax will probably bring in more revenue than this additional 0.5% real estate excise tax.

### Use of Revenues

The revenues are unrestricted and may be used for any lawful governmental purpose (unlike REET 1 and REET 2, which are limited to capital projects defined by statute and related maintenance).

## Conservation Areas REET

### Quick Summary

- Any county may impose an additional excise tax of up to 1.0% on all real estate sales countywide, including within incorporated cities.
- Revenues are restricted and must be used for acquisition and maintenance of conservation areas.
- Requires voter approval.

**RCW: 82.46.070**

Any county may impose an additional real estate excise tax of up to 1.0% for conservation areas (**RCW 82.46.070**). Unlike REET 1 and REET 2, which are only imposed within the unincorporated areas, the conservation area REET is imposed upon all properties countywide, including within the incorporated cities. (Cities do not have “conservation area” REET authority.) This REET option requires voter approval and may be initiated either by the legislative body or by citizen petition, and it must be periodically re-authorized by voters.

Unlike other real estate excise taxes, which are typically the responsibility of the seller, the conservation area REET is the responsibility of the buyer. This tax does not apply to properties that the county acquires as conservation areas.

### Use of Revenues

The revenues must be used exclusively for the acquisition and maintenance of “conservation areas.” For the definition of “conservation areas,” the statute references **RCW 36.32.570**, which states:

“[C]onservation area” means land and water that has environmental, agricultural, aesthetic, cultural, scientific, historic, scenic, or low-intensity recreational value for existing and future generations, and includes, but is not limited to, open spaces, wetlands, marshes, aquifer recharge areas, shoreline areas, natural areas, and other lands and waters that are important to preserve flora and fauna.

The county must prepare a plan for the expenditure of the proceeds, and the proceeds must be spent in conformance with this plan. If this tax is initiated by the legislative body, the legislative body must prepare the plan at least 60 days before the election. If the tax is initiated by citizen petition, the plan must be prepared within six months after the election. Prior to the adoption of the plan, the county must consult with the elected officials of cities located within the county and hold a public hearing to obtain public input.

### Ballot Measure Requirements

A conservation area REET measure may be submitted at any special, primary,<sup>42</sup> or general election and

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<sup>42</sup> **RCW 82.46.070** references a “general election” or “any special election prior to this general election,” which at first glance might seem to rule out the August primary election. However, **RCW 29A.04.321(2)**, which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

requires a simple majority vote with no minimum turnout requirements. The ballot measure must specify the length of time and the maximum rate at which the REET will be imposed. As of 2018, only San Juan County has successfully imposed this conservation area REET. According to MRSC's [Local Ballot Measure Database](#), no other counties have attempted to use this authority in recent years.

## Affordable Housing REET

### Quick Summary

- San Juan County may impose an additional excise tax of 0.5% on all real estate sales countywide, including within incorporated cities.
- Revenues are restricted and must be used for the development of affordable housing.
- Requires voter approval.

**RCW: 82.46.075**

Any county that imposed a conservation area REET (see [page 114](#)) at the full rate of 1.0% no later than January 1, 2003, may impose an additional excise tax of 0.5% upon all real estate sales within the county for affordable housing ([RCW 82.46.075](#)). San Juan County is the eligible county. This REET option requires voter approval and may be initiated either by the legislative body or by citizen petition, and it must be periodically re-authorized by voters.

As with the conservation area REET, the tax is imposed upon all real estate sales countywide, including within incorporated cities. (Cities have no affordable housing REET authority.)

Unlike other REET options which are typically the responsibility of either the buyer *or* the seller, the statute states that the affordable housing REET shall be the obligation of *both* the buyer and the seller. The county legislative body must establish the allocation of this tax obligation between the buyer and the seller, with at least 50% being the obligation of the buyer.

### Use of Revenues

The revenues must be used exclusively for the development of affordable housing, including acquisition, building, rehabilitation, and maintenance and operation of housing for very low-income, low-income, and moderate-income persons and those with special needs.

The revenues must be placed in an affordable housing account administered by the county. Disbursements from the account must be made following a competitive grant and loan process. Eligible grant recipients may be private nonprofit affordable housing providers, the county housing authority, or other housing programs conducted or funded by a public agency, including those in partnership with a private nonprofit entity.

The county must prepare a plan for the expenditure of the proceeds, and the proceeds must be spent in conformance with this plan. If this tax is initiated by the legislative body, the legislative body must prepare the plan at least 60 days before the election. If the tax is initiated by citizen petition, the plan must be prepared within six months after the election. Prior to the adoption of the plan, the county must consult with the elected officials of cities located within the county and hold at least one public hearing to obtain public input.

## Ballot Measure Requirements

An affordable housing REET measure may be submitted at any special, primary,<sup>43</sup> or general election and requires a simple majority vote with no minimum turnout requirements. The ballot measure must specify the length of time and the maximum rate at which the REET will be imposed. San Juan County successfully passed its first affordable housing REET measure in 2018.

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43 [RCW 82.46.075](#) references a “general election” or “any special election prior to this general election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

# Other Excise Taxes

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## Admission Tax

### Quick Summary

- Any county may impose an admission tax up to 5% of the admission charge for various events and facilities.
- Revenues may generally be used for any lawful governmental purpose.
- Does not require voter approval.

**RCW:** [36.38.010](#)

Any county may levy an admission tax up to 5% of the admission charge for various facilities and events ([RCW 36.38.010](#)). However, cities and towns have similar authority under [RCW 35.21.280](#), and if a city or town imposes an admission tax, the county may not levy an admission tax within that city's boundaries. The tax may be imposed by the legislative body and does not require voter approval.

As of 2017, according to the Local Government Financial Reporting System, there are five counties collecting an admission tax: Franklin, Grant, Kitsap, Kittitas, and Snohomish.

The tax can be levied on “admission charges,” defined in the statute as:

[A] charge made for season tickets or subscriptions, a cover charge, or a charge made for use of seats and tables, reserved or otherwise, and other similar accommodations; a charge made for food and refreshments in any place where any free entertainment, recreation, or amusement is provided; a charge made for rental or use of equipment or facilities for purpose of recreation or amusement, and where the rental of the equipment or facilities is necessary to the enjoyment of a privilege for which a general admission is charged, the combined charges must be considered as the admission charge. Admission charge also includes any automobile parking charge where the amount of such charge is determined according to the number of passengers in any automobile.

However, in *Ski Acres v. Kittitas County*, 118 Wn.2d 852 (1992), the state supreme court ruled that the county could not levy an admission tax on ski lift tickets and/or rental equipment because the ski area did not charge a fee for entry onto its land. This same argument could apply to facilities such as bowling alleys and skating rinks.

The statute exempts counties from placing an admission tax on any elementary or secondary school activity and on any public facility district (PFD) for which the PFD has levied an admission tax under [RCW 35.57.100](#) or [RCW 36.100.210](#). However, King County has special provisions allowing it to levy admission taxes on certain sports stadiums.

**RCW 36.38.020** authorizes a number of optional provisions for the county’s admission tax ordinance. Some counties have been known to exempt certain events such as those sponsored by nonprofits, but this is an option that is determined individually by each county that decides to impose the tax.

A county-imposed admission tax is administered at the local level, so collections and auditing are the county’s responsibility and the county should include appropriate language within the enabling ordinance to require collection and remittance.

### **Use of Revenues**

Admission tax revenues are unrestricted and may be used for any lawful governmental purpose. King County has separate restrictions for admission taxes imposed upon certain sports stadiums.

## Commercial Parking Tax

### Quick Summary

- Any county may impose a tax on commercial parking businesses within unincorporated areas.
- Revenues are restricted and must be used for transportation purposes.
- Does not require voter approval but is subject to possible referendum.

**RCW:** [82.80.030](#)

Any county may impose a tax on commercial parking businesses located within its unincorporated areas only ([RCW 82.80.030](#)). This tax may be imposed by the legislative body and does not require voter approval. However, it is subject to possible referendum under [RCW 82.80.090](#).

There is no limit on the tax rate, and there are many ways that a county can assess the tax. The county may impose the tax directly on parking businesses ([RCW 82.80.030\(1\)](#)), or it may impose a tax on the driver of the vehicle using the commercial parking facility ([RCW 82.80.030\(2\)](#)).

If the tax is imposed on the parking business, the rate must be based upon either gross proceeds or the number of vehicle stalls available for commercial parking use. The rates charged must be uniform for the same class or type of commercial parking business ([RCW 82.80.030\(4\)](#)).

If the tax is imposed on the driver, the tax may be a flat fee or a percentage amount, and the operator of the parking facility collects and remits the tax revenues to the county ([RCW 82.80.030\(2\)](#)). The tax rates may vary by any “reasonable factor,” including zoning, the location of the facility, parking duration, time of entry or exit, and the type or use of the vehicle. Counties may also exempt carpool vehicles, vehicles with handicapped decals, or government vehicles.

As of 2018, we are not aware of any county that has imposed this tax, although there are a number of cities that have imposed a commercial parking tax under the same statute.

The county is responsible for administering the tax and adopting rules by resolution or ordinance. The county may provide for payment on a monthly, quarterly, or annual basis.

### Use of Revenues

The revenue must be used for transportation purposes as defined in [RCW 82.80.070](#). This includes, but is not limited to:

- Operation and preservation of roads, streets, and other transportation improvements;
- New construction, reconstruction, and expansion of streets and highways and other transportation improvements;
- Development and implementation of public transportation and high capacity transit improvements and programs;
- Planning, design, and acquisition of right-of-way and sites for transportation purposes; and

- Transportation improvements in accordance with a transportation benefit district.

The statute prohibits the supplanting of funds. No county may use the commercial parking tax revenues to replace, divert, or loan any revenues currently being used for transportation purposes to non-transportation purposes ([RCW 82.80.070\(6\)](#)).

Any county with a population greater than 8,000 that levies a commercial parking tax must develop and adopt a specific transportation program identifying the geographic area where the tax revenues will be collected and expended, proposed transportation improvements and costs, how the plan is coordinated with other applicable local and regional transportation plans, and a six-year funding plan updated every year ([RCW 82.80.070\(3\)-\(5\)](#)).

## Enhanced 911 (E-911) Telephone Tax

### Quick Summary

- Excise tax up to \$0.70 per month per landline phone number, wireless phone number, and VoIP service line. For prepaid wireless services, maximum rate is \$0.70 per retail transaction.
- Revenues must be used for county's emergency services communication system.
- Does not require voter approval.

**RCW: 82.14B.030**

The State of Washington imposes an enhanced 911 (E-911) excise tax up to \$0.25 per month per landline phone number ("switched access line"), wireless phone number ("radio access line"), and Voice over Internet Protocol (VoIP) service line within the state ([RCW 82.14B.030\(5\)-\(9\)](#)). For prepaid wireless services, the rate is \$0.25 per retail transaction. These revenues fund the state's enhanced 911 telephone system.

In addition to the state tax, any county may impose an E-911 excise tax up to \$0.70 per month for each landline phone number, wireless phone number, and VoIP service line ([RCW 82.14B.030\(1\)-\(4\)](#)). For prepaid wireless services, the maximum rate is \$0.70 per retail transaction. This tax may be imposed by the legislative body and does not require voter approval.

Each county imposing this tax must provide an annual update to the state's E-911 coordinator detailing the proportion of their local E-911 revenues being spent on E-911 modernization and operational costs ([RCW 82.14B.030\(4\)](#)).

The state E-911 excise tax revenues may also be used to reimburse counties for eligible E-911 expenses, as long as the county has imposed the maximum \$0.70 rate ([RCW 38.52.540](#)). If a county imposes a rate less than the maximum, it is ineligible to receive state reimbursement.

As of 2018, every county has imposed the maximum \$0.70 rate. Both the state and county E-911 excise taxes are collected from the consumer and reported by the businesses on their state excise tax returns.

### Use of Revenues

All 911 excise tax revenues must be used only for the county's emergency services communication system ([RCW 82.14B.050](#)).

## Gambling Tax

### Quick Summary

- Any county may tax gambling activities within unincorporated areas.
- Maximum tax rates depend upon type of gambling activity.
- Revenues are restricted and must be used for public safety purposes.
- Does not require voter approval.

**RCW: 9.46.110**

Gambling activities are regulated by the state, with the Washington State Gambling Commission regulating and licensing most gambling activities under [chapter 9.46 RCW](#). Counties are limited in their authority to regulate gambling, but a county may prohibit any or all gambling activities within unincorporated areas for which licenses are required ([RCW 9.46.295](#)).

Counties that choose to allow gambling may tax the gambling proceeds within the unincorporated areas only ([RCW 9.46.110](#)). Such gambling taxes may be imposed by the legislative body and do not require voter approval.

The maximum rates are set by statute and are listed below. Note that some of the maximum tax rates are based on net receipts (gross receipts minus prizes), while others are based on gross receipts. For definitions of each activity, refer to [chapter 9.46 RCW](#).

Gambling Activity	Maximum Tax Rate
Amusement games	Actual costs of enforcement, not to exceed 2% of net receipts*
Bingo	5% of net receipts*
Punch boards and pull-tabs by <i>charitable or nonprofit organizations</i>	10% of net receipts
Punch boards and pull-tabs by <i>commercial stimulant operators</i>	5% of gross receipts or 10% of net receipts
Raffles	5% of net receipts**
Social card games	20% of gross receipts

\* For amusement and bingo games, charitable or nonprofit organizations with no paid operating or management personnel and combined net receipts of \$5,000 or less are exempt from taxation.

\*\* For raffles conducted by a bona fide charitable or nonprofit organization, the first \$10,000 of net receipts are exempt from taxation.

### Use of Revenues

Counties that implement this gambling tax “must use the revenue from such tax primarily for the purpose of public safety” ([RCW 9.46.113](#)).

## Leasehold Excise Tax

### Quick Summary

- Any county may levy an excise tax up to 6% on most leases of tax-exempt properties.
- Tax is credited against state leasehold excise taxes; city leasehold excise taxes are credited against county tax.
- Revenues are unrestricted and may be used for any lawful governmental purpose.
- Does not require voter approval.

**RCW: 82.29A.040**

Under state law, all publicly owned properties, as well as certain privately owned properties, are exempt from property tax under [Title 84 RCW](#). However, most leases of publicly-owned real and personal property in the state, as well as certain specified privately owned real or personal properties, are subject to a leasehold excise tax in lieu of property taxes, as long as the lessee (the tenant) would otherwise be subject to property tax if the lessee owned the property instead of leasing it ([chapter 82.29A RCW](#)).

The State of Washington imposes a 12.84% leasehold excise tax on the act or privilege of occupying or using publicly owned, or specified privately owned, real or personal property ([RCW 82.29A.030](#)).<sup>44</sup>

In addition, any county is authorized to levy and collect a leasehold excise tax of up to 6% of the taxable rent on the occupancy or use of the same publicly owned, or specified privately owned, real or personal property within its jurisdictional limits ([RCW 82.29A.040](#)). Cities have similar leasehold excise tax authority up to a rate of 4%. These local leasehold excise taxes do not require voter approval.

“Taxable rent” means the contract rent (when the lease is established by competitive bidding) or, in certain circumstances, rent as determined by the Department of Revenue (DOR) when a leasehold interest has not been established through competitive bidding and the compensation to the lessor does not represent fair market value of the lease or when a lease has not been renegotiated for at least 10 years. (See definitions in [RCW 82.29A.020](#).)

Publicly owned real or personal property also includes real or personal property owned by federally recognized Indian tribes, nonprofit fair associations, and community centers, as long as they are exempt from property tax. [RCW 82.29A.130](#) provides for exemptions on certain specified properties, while [RCW 82.29A.120](#) allows certain lessees to receive credits that reduce their leasehold excise tax payments.

### Allocation of Leasehold Excise tax

Leasehold excise taxes imposed by cities and counties are credited against the 12.84% state leasehold excise tax. This credit is applied in layers, which is to say the county rate (with a maximum rate of 6%)

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<sup>44</sup> [RCW 82.29A.030](#) establishes a tax rate of 12% plus an additional tax equal to the rate specified in [RCW 82.02.030](#) (which is 7%) multiplied by 12%. 12% times 7% is 0.84%, which brings the total tax rate to 12.84%.

is credited against the state rate, and the city rate (with a maximum rate of 4%) is credited against the county. For example, if the county imposes its maximum of 6% and no city has imposed a leasehold excise tax, the county will receive 6% countywide and the state will receive the remaining 6.84%. However, if a city also imposes its 4% maximum rate, the city will receive 4% and the county will receive 2% within the incorporated area. The county would still receive its full 6% for the unincorporated areas, and the state would receive the remaining 6.84% countywide.

### **Use of Revenues**

Leasehold excise tax revenues are unrestricted and may be used for any lawful governmental purpose.

### **Timing of Receipts**

For any county-owned properties, the county collects the 12.84% leasehold tax and remits the full amount to the Department of Revenue. For other eligible tax-exempt properties located within the county, the tax must be collected by the lessor and remitted to DOR on a quarterly basis, and federal property reports directly to the DOR on an annual basis. The DOR, after deducting an administrative fee ([RCW 82.29A.080](#)), distributes the taxes back to counties on a bimonthly basis ([RCW 82.29A.090](#)).

## Local Household Tax

### Quick Summary

- Excise tax of up to \$1.00 per month per household; may not be imposed concurrently with transit sales tax.
- Revenues must be used for public transportation improvements.
- May require voter approval and may be subject to referendum.

**RCW: 35.95.040**

Any city or county that provides transit service may impose a local household tax of up to \$1.00 per month per household ([RCW 35.95.040](#)) to support its transit system. However, any jurisdiction imposing a transit sales tax under [RCW 82.14.045](#) (see [page 94](#)), or located within a transit district that imposes such a sales tax, may not impose a local household tax and vice versa. As of 2018, we are not aware of any cities or counties that impose this local household tax, and most transit agencies rely on sales taxes instead, which generate far more revenue.

Local household taxes may be imposed by ordinance. A public vote is required for household taxes imposed by county transportation authorities ([RCW 35.95.040](#)), and state statute says that any municipality adopting a local household tax “may” refer the ordinance to voters before making the ordinance effective ([RCW 35.95.090](#)). In addition, the measure may be subject to possible referendum ([RCW 35.95.080](#)).

The tax is administered by the county treasurer, and the tax is billed and collected at such times and in the manner determined by the county ([RCW 35.95.050](#)).

### Use of Revenues

The revenues must be used for the operation, maintenance, and capital needs of its municipally owned or leased and municipally operated public transportation system.

## Local Option Gas Tax

### Quick Summary

- Counties may impose a local option gas tax of 10% of the state gas tax rate.
- Revenues are shared with cities and must be used for transportation purposes.
- Requires voter approval.

**RCW: [82.80.010](#)**

Any county may impose a countywide local option motor vehicle fuel excise tax (gas tax) at a rate equal to 10% of the current state gas tax rate, with some of the revenue shared with the cities and towns within the county ([RCW 82.80.010](#)). As of 2018 the state gas tax is 49.4 cents per gallon, so the local option gas tax would be 4.94 cents per gallon. This tax is in addition to any other federal, state, or local gas taxes and requires voter approval.

A local option gas tax must be approved by a simple majority of voters, and the increased gas tax may only be implemented on January 1, April 1, July 1, or October 1. A county may not levy this tax if it is participating in a regional transportation investment district and the county or district has imposed the motor vehicle and special fuel tax under [RCW 82.80.110](#) or [RCW 82.80.120](#).

### Ballot Measure Requirements

The ballot measure may be submitted at any special, primary,<sup>45</sup> or general election and must be approved by a simple majority of voters. There are no validation (minimum turnout) requirements. According to MRSC's [Local Ballot Measure Database](#), no counties have attempted a local gas tax in recent years. The only counties we are aware of that have attempted to levy this tax in the past are Spokane County and Snohomish County, and both ballot measures failed.

### Revenue Sharing

The revenues are shared between the county and the cities on a per capita (population) basis ([RCW 82.80.080](#)). The county's share is calculated based on 1.5 times the unincorporated population, as shown in the example on the next page.

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<sup>45</sup> [RCW 82.80.010](#) states that the tax must be submitted at "a general or special election," which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four "special elections" each year, including the primary election. So for these purposes, "special election" includes the primary election.

## Example of Revenue Sharing for Local Option Gas Tax

Total revenue: \$100,000

Jurisdiction	Population	Adjusted Population	Percent of Adjusted Population	Revenues Received
City A	5,000	5,000	5%	\$5,000
City B	25,000	25,000	25%	\$25,000
City C	10,000	10,000	10%	\$10,000
Unincorporated county	40,000	x1.5 = 60,000	60%	\$60,000
TOTAL	80,000	100,000	100%	\$100,000

Prior to the imposition of the local option gas tax, the county must contract with the Department of Revenue (DOR) for the administration and collection of the tax, with DOR withholding up to 1% as an administrative fee.

### Use of Revenues

The revenues are restricted and must be used strictly for transportation purposes in accordance with [RCW 82.80.070](#). This includes, but is not limited to:

- Operation and preservation of roads, streets, and other transportation improvements;
- New construction, reconstruction, and expansion of streets and highways and other transportation improvements;
- Development and implementation of public transportation and high capacity transit improvements and programs;
- Planning, design, and acquisition of right-of-way and sites for transportation purposes; and
- Transportation improvements in accordance with a transportation benefit district.

However, the statute goes on to say that proceeds from the motor vehicle fuel tax under [RCW 82.80.010](#) “shall be used exclusively for ‘highway purposes’ as that term is construed in Article II, section 40 of the state Constitution.” The constitutional definition is narrower than the “transportation purposes” identified in the beginning of the statute. Until this inconsistency is addressed or clarified, we would recommend using the narrower, more conservative constitutional definition.

### Timing of Receipts

The distribution is made by the State Treasurer’s Office on a monthly basis to the county and its cities.

## Timber Excise Tax

### Quick Summary

- Credit against state timber excise tax; counties receive 4% excise tax on all harvest of timber on public or private land.
- County retains some of the revenue and shares the rest with other local taxing districts.
- Does not require voter approval.

**RCW:** [84.33.041](#), [84.33.051](#), [84.33.081](#)

Timber and forest lands, which are governed by [chapter 84.33 RCW](#) and [chapter 84.34 RCW](#), have special taxation provisions.

“Timberlands” – defined as any contiguous parcel(s) of land that total 5 or more acres and are devoted primarily to the growth and harvest of timber for commercial purposes – are valued at their “current use” rather than “true and fair value” for property tax purposes (see [RCW 84.34.020\(3\)](#) and [RCW 84.34.041](#)). The trees themselves, whether standing or cut down, are exempted from property taxes entirely ([RCW 84.33.040](#)). However, the State of Washington imposes an excise tax of 5% of the stumpage value on the harvest of all timber on public or private lands for commercial or industrial use (see [RCW 84.33.041](#) and [RCW 84.33.046](#)). This is known as the timber excise tax or, alternatively, the forest excise tax.

All counties are allowed to take a credit against the state timber excise tax (see [RCW 84.33.041](#) and [RCW 84.33.051](#)). The credit is calculated as 4% of the stumpage value of all timber harvested within the county, and it applies to all harvests on public and private land.<sup>46</sup> This means that the excise tax paid by the harvester remains 5%, but that the state excise tax rate is effectively reduced to 1% while the county receives the remaining 4%.

The credit must be approved by the county legislative body and does not require voter approval. All counties have imposed this excise tax credit. Once the counties have received the funds from the state, they must further distribute them to the local taxing districts within the county as described below.

### Use of Revenues

Following receipt, the county treasurer must distribute the funds to local taxing districts within the county. Some of the revenue will be retained by the county itself, while the rest will be distributed primarily to school districts and other special purpose districts. The distribution amounts depend on each district’s levy rate for the current year as well as the district’s timber assessed value (TAV) and the actual amount of timber excise taxes collected. Most cities and towns will receive little to no revenue from the timber excise tax due to the lack of timberlands within incorporated areas.

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<sup>46</sup> The credit originally applied only to the harvest of timber on privately owned lands. However, state legislation phased in publicly owned lands between 2005 and 2013. Beginning in 2014, counties receive an identical 4% timber excise tax credit for all timber harvested on public lands.

**RCW 84.33.081** establishes three distribution tiers:

<b>Priority 1 – RCW 84.33.081(2)</b>		
<b>Taxing District</b>	<b>Distribution amount</b>	<b>Revenue must be used for</b>
Taxing districts with G.O. bonds	District's TAV times district's G.O. bond excess levy rate	G.O. bond debt service
School districts with excess levies for capital projects	District's TAV times district's excess levy rate	Capital projects payments

If the county has any voter-approved general obligation (G.O.) bonds, it will receive a portion of the Priority 1 distributions. Otherwise, it will not receive any Priority 1 revenues.

From the monies remaining after the Priority 1 distributions, the next distributions go solely to school districts:

<b>Priority 2 – RCW 84.33.081(3)</b>		
<b>Taxing District</b>	<b>Distribution amount</b>	<b>Revenue must be used for</b>
School districts	The greater of: <ul style="list-style-type: none"> <li>• 50% of district's TAV times the district's excess levy rate, OR</li> <li>• 80% of the district's timber roll in calendar year 1983 times the district's excess levy rate</li> </ul>	Purposes other than debt service payments and capital projects

From the monies remaining after the Priority 2 distributions:

<b>Priority 3 – RCW 84.33.081(4)</b>		
<b>Taxing District</b>	<b>Distribution amount</b>	<b>Revenue must be used for</b>
All taxing districts with a regular levy or excess levy not listed in Priority 1 or 2	District's TAV times district's regular/excess levy rate(s)	Same purpose(s) as the regular/excess levy

Each taxing district receives a distribution for each one of its property tax levies. For instance, the county itself would receive a minimum of two Priority 3 distributions (one for the current expense levy and one for the road levy), as well as additional Priority 3 distributions for any other levies such as conservation futures, emergency medical services (EMS), etc. Similarly, if a fire district has a regular levy, a G.O. bond levy, and an EMS levy, it would receive a Priority 1 distribution for the G.O. bond levy and two Priority 3 distributions (one for the regular levy and one for the EMS levy).

The total Priority 3 distributions will depend upon actual timber excise tax collections. If there are insufficient funds for the full Priority 3 distribution, each taxing district's distribution will be reduced proportionately. For instance, if the county only has enough remaining revenue to distribute 80% of the Priority 3 distribution, each Priority 3 taxing district would receive 80% of its intended distribution.

If there is any money remaining after the full Priority 3 distributions, the county retains an amount up

to the equivalent of 20% of the combined Priority 1, 2, and 3 distributions to be placed in reserve and distributed as part of next year’s timber excise taxes.

If the county has placed the full 20% in reserve for next year and there are still monies remaining, the county must distribute all the remaining funds to the Priority 3 jurisdictions in the same proportion as earlier.

### Timing of Receipts

Timber excise taxes are filed by harvesters on a quarterly basis, due at the end of the month following the quarter in which the timber was harvested. The State Treasurer’s Office distributes the receipts, minus the DOR administrative fee, to counties on a quarterly basis, on the last business day of the second month of each calendar quarter (February, May, August, and November).

The county then distributes the revenues to all eligible taxing districts according to the schedule below:

Timber Excise Tax Distribution Schedule				
Priority Level	February	May	August	November
Priority 1	X		X	
Priority 2	X		X	
Priority 3		X		X
County Reserve		X		X
Excess Funds		X		X

The Priority 1 and Priority 2 payments are calculated at the beginning of the year based on each taxing district’s timber assessed value and levy rate for the current year. Then, those payments are split into two, with 50% of the payment distributed to the taxing districts during the first quarter of the calendar year (January through February) and the remaining 50% during the third quarter (July through September).

After subtracting the Priority 1 and 2 distributions, the remaining Priority 3 distributions are made during the second quarter (March through June) and fourth quarter (October through December). After the full Priority 3 distributions have been made, any remaining funds are distributed to the reserve fund and, if necessary, back to the Priority 3 taxing districts again.

# “State Shared” and Federal Revenues

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Intergovernmental revenues are revenues that come from another government entity outside of the umbrella of your local government entity. Federal and state governments are the two primary sources of intergovernmental revenues. Some of the federal programs have been in place for over a century, while the State of Washington has distributed a number of “state shared” revenues to cities and counties over the past several decades.

Depending upon who is discussing the topic of “state shared” revenues, the definition may vary to some degree. For our purposes, we will generally consider state shared revenues to be any revenues distributed and allocated to cities, towns, and counties by state statute or appropriated by the legislature through the state budget process.

However, there are also other revenues that some consider to be “state shared.” For instance, there are certain credits against state taxes that some consider to be state shared revenues, such as the basic 2% lodging tax (see [page 99](#)), the rural county public facilities sales tax (see [page 92](#)), or the timber excise tax (see [page 129](#)). We have placed those revenue sources elsewhere within the *Revenue Guide*, as these resources are provided for by statute and are not subject to legislative appropriation. In those examples, counties have greater statutory authority and the county legislative body must take specific action (adopting a resolution or ordinance) to begin collecting these revenues.

The state also provides payments for a portion of the salaries for prosecuting attorneys and district/superior court judges, which we discuss within the Departmental Fees and Reimbursements chapter (see [page 151](#)).

While a few state shared revenues are influenced by local policies (such as marijuana excise taxes), most are distributed based on population or other factors that are beyond the county’s direct control. The same is true of federal distributions such as the Secure Rural Schools program, where federal forest lands and timber sales are part of the distribution factors.

Some distributions are established as a flat dollar amount, while others are automatically indexed to inflation or are distributed as a percentage of actual state tax receipts or federal timber sales. Federal distributions are typically distributed only to those counties that have federal lands or facilities, while many of the state shared revenues are distributed to all counties in the state or those jurisdictions that meet certain criteria.

Intergovernmental revenues are valuable revenue sources for local governments and provide funding for many county programs. However, these revenue streams depend upon the federal and state legislative process, the economy, and political factors. Remember that these resources are vulnerable during any legislative session, especially state shared revenues when the economic forecasts start decreasing.

## Capron Refunds

### Quick Summary

- Island counties and cities receive refunds of state gas taxes and motor vehicle license fees to compensate for their lack of state highways and state highway investment.
- Only distributed to San Juan and Island counties and their cities.

**RCW: 46.68.080**

San Juan and Island counties (counties composed entirely of islands), and the cities located within those counties, receive a share of the state gas tax and vehicle license fees called Capron refunds<sup>47</sup> to compensate for their lack of state highways and state highway investments (**RCW 46.68.080**). This is a significant source of transportation funding for these jurisdictions, and revenues are shared between the cities and the county.

To calculate the gas taxes paid by island residents, the state uses the ratio of vehicle license fees paid by county residents compared to the total vehicle license fees collected statewide. It then multiplies that ratio by the total statewide gas tax collections to generate an estimate of gas taxes paid by island residents.

### San Juan County

In San Juan County, which has no state highway or physical connection to the mainland, the state refunds all of the vehicle license fees (**RCW 46.17.350** and **RCW 46.17.355**) and the first 23 cents per gallon of motor vehicle fuel taxes (**RCW 82.38.030(1)**) directly or indirectly paid by its residents, minus the state's administrative costs of collecting the taxes and fees. The remaining revenue is then distributed to the county treasurer and split between the county and Friday Harbor based on their proportional assessed valuation.

### Island County

In Island County, which has some state highways and a physical connection to the mainland, the state refunds half of the vehicle license fees (**RCW 46.17.350** and **RCW 46.17.355**) and the first 11.5 cents per gallon of motor vehicle fuel taxes (half of the tax in **RCW 82.38.030(1)**) directly or indirectly paid by its residents, minus the state's administrative costs of collecting the taxes and fees. The remaining revenue is then distributed to the county treasurer and split between the county and its cities based on their proportional assessed valuation.

### Use of Revenues

Since Capron refunds are paid from the state motor vehicle fund, they must be placed in the county road fund and used for the same purposes as the motor vehicle fuel tax (see [page 145](#)).

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<sup>47</sup> These are called "Capron" refunds because the original legislation creating these refunds was sponsored by Rep. Victor J. Capron of San Juan County.

## City-County Assistance (ESSB 6050) Distributions

### Quick Summary

- Portion of the state real estate excise tax (REET) is shared with all counties.
- Originally intended to mitigate the loss of motor vehicle excise tax (MVET) revenues following I-695 in 1999.
- Distribution formula is complicated and depends upon population, assessed value, sales tax receipts, and historical budget distributions.
- Revenues are unrestricted and may be used for any lawful governmental purpose.

**RCW: [43.08.290](#)**

The State of Washington imposes a real estate excise tax (REET) of 1.28% on each sale of real property ([RCW 82.45.060](#)), of which the state shares 1.6% of the revenues with certain cities and counties with relatively low taxing capacity based on a complicated formula ([RCW 43.08.290](#)). These distributions are known as “city-county assistance,” or occasionally “distressed county assistance” or “ESSB 6050 distributions” after the original 2005 legislation.

These funds were originally intended to mitigate the loss of motor vehicle excise taxes (MVET), commonly known as “car tab fees,” that were distributed to local governments. The state used to impose a 2.2% MVET annually upon the value of each vehicle within the state, of which a significant portion was shared with cities and counties.

Initiative 695, approved by voters in 1999, repealed the statewide MVET vehicle licensing system and replaced it with a flat \$30 annual license tab fee. This initiative had a significant impact on local governments including cities, towns, and counties. A good portion of the MVET was used to equalize the disparity between smaller jurisdictions that did not meet statewide averages for assessed property values or retail sales tax income. At the beginning of 2000, many counties were hit hard by the reduction in general fund revenues. The initiative was later ruled unconstitutional, but the state legislature retained the intent of the initiative and maintained the reduced car tab fees.

To compensate for the loss of MVET, the state legislature appropriated a portion of the state REET revenues to support “local government assistance” for the affected entities, also known as “MVET backfill.” through the state biennial budget process. During the 2005 legislative session, the legislature adopted ESSB 6050 establishing the current city-county assistance program.

Because the city-county assistance program depends upon actual real estate sales, this revenue source can be somewhat volatile during economic downturns. When the statewide real estate market is strong, there are sufficient revenues to fund the entire distribution. But when the market is weaker, there is often not enough revenue to fund the entire distribution, and each city or county will see its distribution reduced proportionately.

## Eligibility and Distribution Formula

All counties are potentially eligible to receive county assistance funds (unlike cities, whose eligibility depends upon per capita assessed valuation).

Whether a county is eligible and the exact distribution amount each county will receive depends upon its population, per capita “first half” sales tax receipts (see [page 77](#)) and streamlined sales tax mitigation payments (which no counties receive anymore), and historical “MVET backfill” distributions from the 2004-2005 state biennial budget.

The key terms to understand are:

- **2005 MVET backfill:** The local government assistance moneys (if any) received by each county in state fiscal year 2005 under section 716, Ch. 276, Laws of 2004 (amended state budget).
- **Sales tax equalization:** The amount of money (if any) required to increase a county’s combined per capita sales tax receipts from the “first half” sales tax plus per capita streamlined sales tax mitigation payments to a certain designated level.

The exact formulas are summarized below. Note that the sales tax equalization thresholds are slightly different depending on the county’s unincorporated population, and that the MVET backfill only applies to counties with an unincorporated population of 15,000 or less.

County Assistance Distribution Formulas	
Unincorporated population	Amount received
Greater than 100,000	Sales tax equalization up to the greater of: <ul style="list-style-type: none"> <li>• \$250,000 in 2005 dollars, adjusted for inflation, or</li> <li>• 65% of the statewide per capita average for “first half” sales tax in unincorporated areas</li> </ul>
15,001 to 100,000	Sales tax equalization up to the greater of: <ul style="list-style-type: none"> <li>• \$250,000 in 2005 dollars, adjusted for inflation, or</li> <li>• 70% of the statewide per capita average for “first half” sales tax in unincorporated areas</li> </ul>
15,000 or less	Greater of: <ul style="list-style-type: none"> <li>• Sales tax equalization to \$250,000 in 2005 dollars, adjusted for inflation,</li> <li>• Sales tax equalization to 70% of the statewide per capita average for “first half” sales tax in unincorporated areas, or</li> <li>• 2005 MVET backfill</li> </ul>

If there are not enough state REET revenues to fund the entire distribution, then each county's individual distribution will be reduced proportionately. If there are more than enough revenues to fund the entire distribution, the excess funds will be distributed on a per capita basis (unincorporated population) to all eligible counties that have imposed the full 0.5% "second half" sales tax (see [page 78](#)). Any county that has not imposed the full 0.5% "second half" will still receive its regular county assistance distribution but is not eligible to receive any excess funds.

For the most recent distribution estimates, refer to our annual [Budget Suggestions publication](#), released each year at the end of July.

### **Use of Revenues**

City-county assistance revenues are unrestricted and may be used for any lawful governmental purpose.

### **Timing of Receipts**

Payments are distributed quarterly on the last business day of March, June, September, and December. The actual legislation requires the funds to be distributed on January 1, April 1, July 1, and October 1. However, the State Treasurer's Office regularly distributes funds to local governments on the last business day of the month, so in order to meet these deadlines the funds are distributed on the last business day of the preceding month.

## Criminal Justice Distributions

### Quick Summary

- Distribution to all counties from the state general fund.
- Distribution is based on a formula that includes the county's population, crime rate, and number of criminal cases filed in superior court.
- Revenues are restricted to specified criminal justice purposes.

**RCW: 82.14.310**

Counties receive criminal justice distributions from the state general fund under the provisions of [RCW 82.14.310](#). The initial appropriation (in state fiscal year 2000) was \$23.2 million, to be increased each July by the “[fiscal growth factor](#)” set forth in [RCW 43.135.025](#). The fiscal growth factor is the average annual growth in state personal income for the prior ten fiscal years.

### Eligibility and Distribution Formula

Criminal justice revenues are distributed to every county based on the formula in [RCW 82.14.310](#), which includes the county's population, crime rate per 1,000 population, and number of criminal cases filed in the county superior court per 1,000 population.

For the most recent distribution totals after application of the fiscal growth factor, refer to our annual [Budget Suggestions publication](#), released each year at the end of July.

### Use of Revenues

All criminal justice distributions must be used for criminal justice purposes as defined in [RCW 82.14.310](#) and may not supplant or replace existing funding. “Criminal justice purposes” are defined as:

[A]ctivities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil or juvenile justice system occurs, and which includes [...] domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in [RCW 70.123.020](#) [...]

### Timing of Receipts

All criminal justice payments are distributed quarterly, on the last business day of January, April, July, and October.

## Federal Payments in Lieu of Taxes (PILT)

### Quick Summary

- Payment from federal government for certain tax-exempt federal lands within county jurisdiction, in lieu of property taxes.
- Subject to federal appropriation and therefore subject to reduction.
- Revenues are unrestricted and may be used for any lawful governmental purpose.

**Federal Law:** [31 U.S.C. Ch. 69](#)

Payments in lieu of taxes (PILT) are payments from the federal government to local governments to compensate the local governments for the loss of property taxes from tax-exempt federal lands within their boundaries ([31 U.S.C. Ch. 69](#)). Payments are made annually for tax-exempt federal lands administered by the U.S. Bureau of Land Management, National Park Service, U.S. Fish and Wildlife Service, and the U.S. Forest Service, as well as federal water projects and some military installations.

Almost every county in Washington receives some revenues from this program, which is administered by U.S. Department of the Interior's Office of the Secretary. The distribution formula includes the number of acres of qualifying federal land in the county, the county's population, and the amount received by the county from other federal revenue sharing programs such as the Secure Rural Schools timber program (see [page 139](#)).

The PILT program is subject to federal appropriation. If the amount appropriated in any year is less than the total amounts for which the counties are certified, the allocation to each county will be reduced proportionately.

For more information, refer to the [U.S. Department of Interior website](#).

### Use of Revenues

PILT revenues are unrestricted and may be used for any lawful governmental purpose.

## Federal Timber Sales/Secure Rural Schools

### Quick Summary

- Federal payments to counties for timber sales in national forests within the county.
- Secure Rural Schools payments compensate for declining timber revenues.
- Subject to federal appropriation and therefore subject to reduction.
- Revenues must be used for county roads, schools, and other purposes authorized by federal law.

### Federal Law: [16 U.S.C. Ch. 90](#)

The federal government shares a portion of timber revenues from national forests with the state(s) that the forest is located under [16 U.S.C. § 500](#). The funds are to be expended for the benefit of public schools and public roads in the county or counties in which the national forest is situated, as the state legislature may prescribe.

In Washington, the distribution of these funds is governed by [RCW 28A.520.010 - .020](#). Each county that receives funds must distribute 50% of the revenues to its school districts, as apportioned by the Office of Superintendent of Public Instruction. The county retains the remaining 50%.

In the 1980s and 1990s, timber harvests and revenues in national forests dropped significantly, resulting in lost revenue for timber counties. In response, the U.S. Congress established the Secure Rural Schools (SRS) program in 2000, codified at [16 U.S.C. Ch. 90](#), to compensate for the lost revenue. However, the long-term future of this program is unclear, as it is subject to periodic congressional reauthorization and has been somewhat unstable.

### Use of Revenues

Secure Rural School payments must be spent in accordance with federal law. “Title I” funds must be spent on public schools and roads, “Title II” funds are limited and may only be spent on special projects on federal lands, and “Title III” funds must be spent for qualifying wildfire protection plans and prevention, to reimburse counties for participating in search and rescue and other emergency services in national forests, and to cover training costs and equipment purchases for such emergency programs.

For further information, refer to guidance from the U.S. Forest Service or the State Treasurer’s Office.

## Impaired Driving Safety (DUI) Account

### Quick Summary

- Portion of fees for revoked or suspended driver's licenses are distributed to counties, subject to appropriation.
- Revenues must be used for DUI prevention and related costs.

**RCW: [46.68.260](#)**

63% of certain fees paid to reissue driver's licenses that have been revoked or suspended are deposited into the Impaired Driving Account ([RCW 46.68.041\(2\)](#)). These revenues are then shared with counties and cities, subject to legislative appropriation ([RCW 46.68.260](#)).

### Use of Revenues

The revenues may only be used for projects to reduce impaired driving and enforce laws related to DUI and boating under the influence.

## Liquor Distributions

### Quick Summary

- Distributed to all counties on a per capita basis.
- All counties receive two separate distributions:
  - **Liquor profits:** Flat distribution from liquor licensing fees. Revenues are partially restricted – at least 2% must be used for an approved drug or alcohol treatment program and the remaining 98% is unrestricted and may be used for any lawful governmental purpose.
  - **Liquor excise:** Depends on actual liquor sales. Revenues are partially restricted – at least 2% must be used for an approved drug or alcohol treatment program and at least 20.23% must be used for public safety programs. The remaining 77.77% is unrestricted and may be used for any lawful governmental purpose.

**RCW: 82.08.160, 82.08.170** – Liquor excise  
**66.24.065** – Liquor profits

All counties receive a portion of state liquor revenues. There are two separate liquor distributions: “liquor profits” and “liquor excise.”

Liquor excise is a small share of the state’s excise tax on liquor sales and varies each year depending on actual liquor sales.

Liquor profits is an allocation from the liquor revolving account for liquor licensing fees charged to distributors and retailers, and it will remain the same each year unless changed by the legislature.<sup>48</sup> The total distribution is the same as what counties received during “comparable periods” prior to December 8, 2011 and the passage of Initiative 1183, which privatized liquor sales, plus an additional distribution for the purpose of enhancing public safety programs. The “comparable periods” were determined by the Office of Financial Management to be December 2010, March 2011, July 2011, and September 2011.

### Eligibility and Distribution Formulas

Both liquor excise and liquor profits are distributed to all counties on a strictly per capita (unincorporated population) basis.

In addition, “border areas” (any city, town, or unincorporated area within seven miles of the Canadian border) receive an additional liquor profits distribution based on per capita law enforcement spending, border-crossing traffic totals, and border-related crime statistics ([RCW 66.08.195](#) and [.196](#)).

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<sup>48</sup> Prior to 2012, all liquor stores in Washington were state-run, and the state received direct liquor profits in addition to excise tax revenues. However, Initiative 1183 in 2011 privatized liquor sales. The state still charges an excise tax on liquor sales, but it no longer receives liquor profits. Instead, the state now collects revenue in the form of license fees from distributors and retailers. However, the Liquor and Cannabis Board (LCB) continues to call these liquor licensing funds “liquor profits.”

For the most recent distribution estimates, refer to our annual [Budget Suggestions publication](#), released every year at the end of July.

### Use of Revenues

- **Liquor excise:** At least 2% of liquor excise revenue must be used for an approved alcohol or drug addiction program under [RCW 71.24.555](#). The remaining 98% is unrestricted and may be used for any lawful governmental purpose.
- **Liquor profits:** At least 2% of liquor excise revenue must be used for an approved alcohol or drug addiction program under [RCW 71.24.555](#). In addition, at least 20.23% must be used for “enhancing public safety programs.”<sup>49</sup> The remaining 77.77% is unrestricted and may be used for any lawful governmental purpose.

### Timing of Receipts

Payments are distributed quarterly, but liquor excise and liquor profits are distributed according to a different schedule:

- **Liquor excise:** Distributed on the last business day of January, April, July, and October.
- **Liquor profits:** Distributed on the last business day of March, June, September, and December.

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<sup>49</sup> This is because the total liquor profits distribution to cities, counties, and border areas for the “comparable periods prior to December 8, 2011” was \$39,438,000. To this amount, the legislature added an extra \$10 million for “enhancing public safety programs” ([RCW 66.24.065](#)). This results in a total liquor profits distribution of \$49,438,000, of which \$10 million (just under 20.23%) must be used for enhancing public safety programs. As a result, each county must spend at least 20.23% of its distribution for enhancing public safety programs.

## Marijuana Excise Tax

### Quick Summary

- A portion of the state’s marijuana excise tax is distributed to cities and counties depending on their marijuana policies.
- Two separate components:
  - **Per capita share** distributed to all cities and counties that do not prohibit marijuana businesses.
  - **Retail share** distributed to cities and counties where marijuana retailers are located, in proportion to statewide marijuana revenues.
- No clear guidance on use of revenues, but stated intent of I-502 is that marijuana legalization will “[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention.”

**RCW:** [69.50.540\(2\)\(g\)](#)

Initiative 502 (I-502), which was approved by voters in 2012, legalized recreational marijuana and authorized marijuana excise taxes. Marijuana excise taxes are imposed and collected by the State of Washington; as of 2018, the state imposes a 37% marijuana excise tax on the retail sale of marijuana, marijuana concentrates, and marijuana-infused products ([RCW 69.50.535](#) and [WAC 314-55-089](#)).

Cities and counties may *not* impose additional local excise taxes upon the sale of marijuana. However, the state shares some of the excise tax revenues with cities and counties, as mandated by I-502.<sup>50</sup> The actual revenues received by counties depend on legislative appropriations from the state budget. The state legislature has previously attempted to reduce local marijuana excise tax distributions, and like all shared revenues these distributions could be changed in future legislative sessions.

Marijuana excise tax distributions depend in significant part upon local marijuana policies and regulations. The regulatory approach that each county adopts, as well as the number of marijuana retailers located within each county’s unincorporated areas, will determine whether the county receives any marijuana excise tax revenue (and how much).

### Eligibility and Distribution Formula

There are two separate components to marijuana excise tax distributions:

- **Per capita share:** Distributed on a strictly per capita (population) basis to all cities, towns, and counties that allow the siting of marijuana producers, processors, AND retailers. Any jurisdiction that prohibits marijuana producers, processors, OR retailers is not eligible.
- **Retail share:** Distributed to all cities, towns, and counties where licensed marijuana retailers are physically located, and in proportional share to total statewide marijuana retail sales. For counties, the retail share only includes unincorporated areas only and does not include any retailers

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<sup>50</sup> The intent of I-502 states, among other things, that it will “[generate] new state *and local* tax revenue” [emphasis added], although it does not specify how the revenue will be shared with local governments or how much will be shared.

physically located in any city located within the county.

The different distribution formulas mean that some jurisdictions will receive both the per capita and retail distributions, while others may receive only one or the other, and some jurisdictions will receive neither. The chart below shows a few hypothetical scenarios to illustrate the differences.

Hypothetical Marijuana Excise Tax Distribution Scenarios	Eligible for per capita share?	Eligible for retail share?
County allows marijuana production, processing, and retail and has at least one retailer located within the unincorporated area.	Yes	Yes
County prohibits marijuana entirely and has no retailers located within the unincorporated area.	No	No
County took no action to prohibit marijuana, but no marijuana retailers are located within the unincorporated area.	Yes	No
County prohibits marijuana producers and processors but allows retailers and has at least one retailer located within the unincorporated area.	No	Yes
County currently prohibits new marijuana businesses but has existing retailers within unincorporated areas that are grandfathered in.	No	Yes
County prohibits marijuana retail and has no retailers within the unincorporated area but allows marijuana production and processing.	No	No

Each year by September 15, the LCB must provide the state treasurer with the annual distribution amount for each county and city. For the most recent legislative appropriations and distribution estimates, refer to our annual [Budget Suggestions publication](#), released every year at the end of July.

### Use of Revenues

The restrictions on the use of marijuana excise tax revenues are somewhat murky, as there is no clear statute stating how the funds must be used. However, the notes in [RCW 69.50.540](#) reference [RCW 69.50.101](#) and the stated intent of I-502, which states that marijuana legalization will “[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention.”

### Timing of Receipts

Payments are distributed quarterly on the last business day of March, June, September, and December. The State Treasurer’s Office distributes both the “per capita” and “retail” shares together in one payment using the same BARS code.

## Motor Vehicle Fuel Tax (MVFT)

### Quick Summary

- Distributed to all counties based on a formula including population, annual road costs, and “need.”
- Total distributions depend on amount of gas taxes collected statewide.
- Revenues are restricted and must be used for streets, roads, and highways.
- Counties must use at least 0.42% for pedestrian, equestrian, or bicycle trails, unless such amount would be \$3,000 or less per year.

**RCW:** [46.68.090](#), [46.68.120](#)

The motor vehicle fuel tax (MVFT), or gas tax, is the single largest shared revenue source for counties, and it has been consistently distributed for decades. (See [RCW 46.68.090](#) and [RCW 46.68.120](#).) MVFT revenues are distributed to all cities, towns, and counties as a percentage of actual state fuel tax revenues received.

Gas taxes in Washington are assessed in cents per gallon, which means that MVFT distributions depend on the number of gallons sold, not the price per gallon. Like all shared revenues, these distributions could be changed in future legislative sessions. However, MVFT has not had a history of legislative changes because all transportation revenues are recorded within the motor vehicle fund (rather than the state general fund) and are restricted to transportation purposes (Art II, Section 40, WA State Constitution).

### Eligibility and Distribution Formula

All counties receive MVFT distributions based on the formulas in [RCW 46.68.122](#) and [RCW 46.68.124](#), which include:

- Total equivalent population (100% of the unincorporated population plus 25% of the incorporated population);
- Annual road costs including bridges and ferries; and
- “Money need,” which takes into account revenues received by the county road fund from the county road levy (see [page 24](#)), the federal forest reserve fund (see [page 139](#)), timber excise taxes (see [page 129](#)), and Capron refunds (for Island and San Juan counties only – see [page 133](#)).

For the most recent distribution estimates, refer to our annual [Budget Suggestions publication](#), released each year at the end of July.

### Use of Revenues

The revenues must be placed in the county road fund ([RCW 36.82.050](#)). Counties must spend their MVFT revenues under the same guidelines as other road fund revenues, such as the road levy funds – for “proper county road purposes” ([RCW 36.82.020](#)).

The uses of the county road fund are established by [RCW 36.82.070](#), which includes the construction, alteration, repair, improvement, or maintenance of county roads and bridges, as well as a number of related expenditures. For San Juan and Island counties only, county road purposes include marine uses related to navigation and moorage.

In addition, road funds may be used for planning, accommodation, establishment, or maintenance of pedestrian, equestrian, or bicycle trails within an existing highway right-of-way or severed by the highway ([RCW 47.30.030](#) and [RCW 47.30.060](#)).

**Practice Tip:** Each county is required to spend at least 0.42% of the funds during each state fiscal year (July 1 to June 30) on pedestrian, equestrian, or bicycle trails, unless 0.42% would amount to \$3,000 or less ([RCW 47.30.050](#)). In other words, this requirement applies to any county that receives more than approximately \$714,286 in MVFT revenue per year. Counties also have the option to place the funds in a reserve or special fund to accumulate resources, so long as the funds are used for paths and trails and expended within 10 years.

Any MVFT expenditures may be made independently or in conjunction with the state or any city, town, or taxing district located within the county.

### Timing of Receipts

The state deducts administrative costs for the Department of Transportation and the County Roads Administration Board (CRAB) (see [RCW 46.68.120](#)). For San Juan and Island counties, the amount of Capron refunds is subtracted from the MVFT distribution. The remaining MVFT collections are distributed monthly, on the last business day of each month.

If the state does not spend all of the deducted funds, the remaining unexpended funds will be distributed to all counties in the next biennium.

## Multimodal Funds and Increased MVFT

### Quick Summary

- Distributed to all counties based on a formula including population, annual road costs, and “money need.”
- Direct appropriations from the state transportation fund; do not depend on actual fuel sales.
- Revenues are restricted:
  - Multimodal funds may be used for any transportation purpose.
  - Increased MVFT funds must be used for street or highway purposes (including eligible pedestrian, equestrian, or bicycle trails).

**RCW: [46.68.126](#)**

All counties receive a share of the increases to the state multimodal funds and increased motor vehicle fuel tax (“increased MVFT”) passed by the legislature in 2015 ([RCW 46.68.126](#)). Unlike the regular MVFT distributions (see [page 145](#)), these multimodal distributions and increased MVFT funds are direct appropriations from the “connecting Washington” account established within the state motor vehicle fund.

These distribution amounts are not adjusted for inflation and will remain the same each year unless changed by the state legislature. Unlike regular MVFT distributions, these allocations are not impacted by actual fuel tax collections or transportation licensing fees.

### Eligibility and Distribution Formula

Multimodal and “increased MVFT” funds are distributed to all counties based on the formula as regular MVFT distributions (see [page 145](#)). For the most recent distribution estimates, refer to our annual [Budget Suggestions publication](#), released each year at the end of July.

### Use of Revenues

These transportation revenues are restricted as follows:

- **Multimodal funds:** May be spent on any transportation purposes ([RCW 47.66.070](#)).
- **Increased MVFT:** May only be spent on “proper road, street, and highway purposes” ([RCW 46.68.070](#)), including pedestrian, equestrian, or bicycle trails meeting the criteria of [RCW 47.30.030](#).

### Timing of Receipts

Payments are distributed quarterly, on the last business day of March, June, September, and December.

## Public Utility District (PUD) Privilege Tax

### Quick Summary

- The state imposes a 2% excise tax, plus 0.02% per kilowatt-hour of self-generated energy, on all public utility districts (PUDs) in lieu of property taxes.
- Revenues are shared with counties, cities, and towns.
- Revenues are unrestricted and may be used for any lawful government purpose.

**RCW: 54.28.020(1)**

All property owned by public utility districts (PUDs), like all other government-owned property, is exempt from property taxes. However, since 1941 public utility districts (PUDs) have been subject to an excise tax in lieu of property taxes. This tax is levied for the privilege of operating facilities for generating and distributing electricity.

The state imposes an excise tax rate of 2% of the gross revenue derived from the sale of distribution of power, plus 0.02% per kilowatt-hour<sup>51</sup> of the wholesale value of self-generated energy for resale or distribution to consumers by a district (**RCW 54.28.020(1)**). These revenues are shared with counties and other local taxing districts as described below.

There is also an additional 0.14% excise tax on the PUD's gross revenue (**RCW 54.28.020(2)**), but those revenues are deposited to the state general fund and are not shared with local governments.

This tax is computed and collected by the Department of Revenue. Of the portion under **RCW 54.28.020(1)** that is shared with local governments, 41.6% of the revenues are deposited to the state general fund, primarily for the benefit of public schools (**RCW 54.28.040** and **RCW 54.28.050(1)**). The remainder of the 2% base excise tax is distributed to the county or counties in proportion to the gross revenue from sales made within each county, while the 0.02% kilowatt-hour tax is distributed to the county or counties in which the generating facilities are located.

The county treasurer, in turn, must further distribute those funds to the county general fund, county road district, and each city or town within the county<sup>52</sup> according to the manner the county legislative body deems "most equitable" (**RCW 54.28.090**). However, the statute specifies that each city and town within the county must receive an amount equal to at least 0.75% of the PUD's gross revenues received from the sale of electricity within that city or town.

There is a separate excise tax for certain thermal electric generating facilities located on a federal reservation under **RCW 54.28.025**, which has a different population-based revenue-sharing formula

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<sup>51</sup> Rather than "0.02% per kilowatt-hour," the statute actually reads "five percent of the first four mills per kilowatt-hour." A "mill" is an older term referring to 1/1,000th of a currency unit. Four mills is equivalent to 4/1,000, or .004. Five percent (.05) of .004 equals 0.0002 or 0.02%.

<sup>52</sup> The statute says the county must distribute the money to "each taxing district in the county, other than school districts." **RCW 54.28.010** defines "taxing district" to mean counties, cities, towns, school districts, and road districts.

under [RCW 54.28.055](#). The thermal generating facilities tax is distributed to counties, cities, library districts, and fire protection districts.

### **Use of Revenues**

PUD privilege tax revenues are unrestricted and may be used for any lawful governmental purpose. [RCW 54.28.100](#) simply reads, “all moneys received by any taxing district shall be used for purposes for which state taxes may be used under the provisions of the state constitution.”

### **Timing of Receipts**

The state treasurer distributes these revenues to the respective counties during the month of June each year ([RCW 54.28.040](#) and [RCW 52.28.050](#)), and the county distributes the city’s portion shortly thereafter.

## State Forest Timber Revenues

### Quick Summary

- State distribution to counties from timber sales occurring on certain state forest lands.
- Revenues must generally be distributed to county funds in the same manner as general taxes.

**RCW: 79.64.110**

Counties receive a portion of timber sales and other commercial activities (such as lease income or the sale of other natural resources or valuable materials such as gravel) within state forests located within the county. These lands include:

- **State Forest Transfer Trust Lands:** These are lands that were acquired by many counties in the 1920s and 1930s through tax foreclosures. These lands were largely harvested and abandoned, and the counties could not afford to manage them so they deeded the lands to the state to manage in trust under [RCW 79.22.040](#). The state retains a portion of the revenue from timber sales and other revenue-producing activity on these trust lands, but roughly 75% is distributed to the county ([RCW 79.64.110\(1\)\(a\)](#)).
- **State Forest Purchase Trust Lands:** These are forest lands that were either donated to the state or purchased at low cost under [RCW 79.22.010](#). The state retains 50% of the revenues from timber sales and other revenue-producing activities on these trust lands, while the remaining 50% is split between the state general fund (for support of schools) and the county based on their property tax levy rates ([RCW 79.64.110\(1\)\(b\)](#)).

### Use of Revenues

For counties with a population of less than 16,000, state forest transfer revenues must first be applied to the reduction of any indebtedness in the current expense fund ([RCW 79.64.110\(1\)\(a\)](#)).

Beyond that, all revenues from state forest transfer lands and state forest purchase lands must be paid, distributed, and prorated to the county's various funds in the same manner as general taxes are distributed during the year of payment ([RCW 79.64.110\(1\)\(a\)](#) and (b)).

### Timing of Receipts

These timber revenues are distributed to counties four times per month, with no more than 10 days between each payment date.

# Departmental Fees, Charges, and Reimbursements

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**Chapter 36.18 RCW** (“Fees of County Officers”) establishes a number of fees that county officials and departments may charge for their services. Some fees may be retained by the county, while others are transmitted to the state or distributed among all counties based on variables such as population. This chapter will discuss the main revenue-producing fees for these county offices, as well as certain state contributions and reimbursements, but other statutes may provide additional authority.

Every county officer entitled to collect fees from the public must keep a plain and legible fee schedule posted in his or her office, and failure to do so will subject the officer to a fine of \$100 (**RCW 36.18.080**). Any county official who takes more or greater fees than allowed by law, or who fails to turn over all sums received to the county treasurer, may be prosecuted and removed from office (**RCW 36.18.160** and **RCW 36.18.170**).

County officers who are called upon or required to perform services for which no fees are provided in **chapter 36.18 RCW** are allowed to charge fees “similar and equal to” those fees allowed the officer “for services of the same kind for which allowance is made” in that chapter (**RCW 36.18.050**).

## AUDITOR'S OFFICE FEES

### Recording Fees and Surcharges

The auditor's office is authorized to charge fees for various services such as recording instruments, administering oaths and affidavits, making certified and non-certified copies, recording plats, conducting records searches, and processing tax liens ([RCW 36.18.010](#)). Fee amounts are set by statute, and the proceeds go to the county's general fund.

In addition to any other fees authorized by statute, the auditor is authorized to impose additional surcharges:

- **Affordable Housing Surcharge:** The auditor's office must charge an additional \$13 fee for each document recorded, except for previously recorded deeds of trust, with the revenues used to fund affordable housing programs ([RCW 36.22.178](#)). The county may retain up to 5% as an administrative fee. Of the remainder, 40% is transmitted to the state for affordable housing programs, while the county retains 60% to deposit into a fund used by the county and its cities and towns for eligible housing activities serving very low income households.
- **Homeless Housing Surcharge:** The auditor's office must charge an additional \$62 fee for each document recorded, with the revenues to be used for homeless housing ([RCW 36.22.179](#)). However, this surcharge does not apply to certain documents such as previously recorded deeds of trust; documents recording a birth, marriage, divorce, or death; marriage licenses; documents recording a lien; or any recorded documents otherwise exempted from recording fees or surcharges under state law. The auditor retains 2% as an administrative fee. Of the remainder, 60% is deposited into a fund used by the county and its cities and towns for homeless housing and assistance as prescribed by statute, including repayment of bonds, while the rest is transmitted to the state treasurer.
- **Centennial Document Preservation Surcharge:** The auditor's office must place a \$5 surcharge for each document recorded, (only \$2 for documents presented for recording by the Employment Security Department), with the revenues to be used for historical preservation and preservation of historic documents ([RCW 36.22.170](#)). A portion of the revenue is retained by the county for the auditor's operation and maintenance fund for ongoing preservation of county historical documents, plus another portion for historical preservation or historical programs at the discretion of the county legislative body. The remainder is transmitted to the state treasurer, who then redistributes the funds to all counties annually according to the formula in [RCW 36.22.190](#), with half distributed to all counties equally and half distributed to all counties on the basis of population.

### Election Candidate Filing Fees

People who file for candidacy for most elective offices must pay a filing fee ([RCW 29A.24.091](#)). Some of these fees are paid to the county auditor, while others are paid to the secretary of state. The filing fees are as follows:

- Precinct committee officer: No fee
- Any office for which compensation is on a per diem or per meeting attended basis: No fee
- Any office with a fixed annual salary of \$1,000 or less: \$10 fee

- Any office with a fixed annual salary of more than \$1,000: Fee equal to 1% of the annual salary of the office at the time of filing
- Write-in candidates: No fee if filed more than 18 days before a primary or election; \$25 if filed 18 days or less before a primary or election

For statewide offices or seats in the U.S. House or Senate, the fee is paid to the secretary of state. When the candidacy is for a city or town office, the fee is paid to the county auditor and then transmitted to the city or town. For a legislative or judicial office that is located within one county only, the fee is paid to the county auditor and retained by the county. For a legislative or judicial office that is located within multiple counties, the fee is paid to the secretary of state and then distributed equally to the respective counties.

If a candidate lacks sufficient assets or income to pay the filing fee, the candidate may submit a nominating petition with the same number of signatures of registered voters as the number of dollars for the filing fee.

### **Election Services Reimbursement**

The county is responsible for its share of costs incurred for county elections. However, the county is *not* responsible for the costs incurred by city, town, or special purpose district elections ([RCW 29A.04.410](#)). Any city, town, or special purpose district that has a ballot measure or elected position on the ballot is responsible for its proportionate share of the election costs (or the entire election cost if there are no other jurisdictions holding elections).

Similarly, the state is responsible for a prorated share of the election costs when state offices or measures are voted on in primary or general elections in odd-numbered years ([RCW 29A.04.420](#)).

Election costs include direct expenses such as printing and mailing ballots and voters' pamphlets, temporary staffing, supplies, transportation, and required elections notices, as well as indirect allocated costs such as payroll, IT support, facility maintenance, and other overhead costs. For guidance on allocating election costs, see the SAO BARS manuals, section 3.8.12, on Voter Registration and Election Cost Allocation (see [Cash Basis manual](#) and [GAAP manual](#)).

In recovering election expenses, the county auditor must certify the cost to the county treasurer with a copy to the clerk or auditor of the city, town, or special purpose district concerned. Upon receipt of certification, any city, town, or district with its own treasurer must promptly issue a warrant for payment of the election costs. For those districts which do not have their own treasurer, the county treasurer must transfer the funds from the district to the county current expense fund or to the county election reserve fund (if one is established).

The county must pay for voter registration expenses in all rural precincts. However, all voter registration expenses for precincts lying wholly within a city or town must be paid by the city or town ([RCW 29A.08.150](#)).

## Marriage License Fees

For all marriage licenses, county auditors must collect a fee of no less than \$23 and no more than \$46 (in addition to the other fees that apply to all documents recorded by the auditor). This fee is broken down as follows:

- \$8 (mandatory) to cover taking affidavits, filing returns, indexing, and transmittal of a record of the marriage to the state registrar of vital statistics ([RCW 36.18.010\(5\)](#));
- \$5 (mandatory) for state child abuse prevention programs ([RCW 36.18.010\(5\)](#));
- \$10 (mandatory) for the state general fund ([RCW 36.18.010\(5\)](#));
- Up to \$15 (optional) to fund the county's family services such as family support centers ([RCW 26.04.160](#)); and
- Up to \$8 (optional) to fund the county's family court ([RCW 26.12.220](#)).

## Motor Vehicle License Fees

Counties collect a flat fee for each motor vehicle licensing transaction (including registrations and certificates of ownership), which is then transmitted to the state. The filing fees are set by statute for all motor vehicles (autos, trucks, motor homes, motorcycles, recreational vehicles, etc.), plus boats and trailers ([chapter 46.17 RCW](#)). Initiative 695 passed in 1999 eliminated the motor vehicle excise tax system used by the State Department of Motor Vehicle Licensing and replaced it with a flat fee structure ([RCW 46.17.200](#)) for autos, SUVs, motorcycles, and motor homes.

County auditor/agent assistants and subagents that have been appointed by the state director of licensing ([RCW 46.01.140](#)) are authorized to charge a filing fee for each license application. [Chapter 46.17 RCW](#) also authorizes other fees such as parking ticket surcharges ([RCW 46.17.030/RCW 46.68.445](#)), temporary permit fees ([RCW 46.17.400\(1\)\(b\)/RCW 46.68.450](#)), and other fees. Some of these revenues are transmitted to the state, while others are retained by the county to offset the cost of acting as an agent of the state.

Counties that do not cover the expenses of vehicle licensing and vessel registration and title activities may submit to the Department of Licensing a request for cost-coverage moneys ([RCW 46.01.140\(7\)](#)).

## Vessel Registration Fees

[Chapter 88.02 RCW](#) requires watercraft used or capable of being used as a means of transportation on the water, other than seaplanes, to be registered with the state and to display a valid decal and registration number. Counties acting as an agent for the Department of Licensing are authorized to collect license service fees for each vessel registration ([RCW 88.02.640\(8\)](#)), changes of title, registration renewals, transfers, and other fees as prescribed by statute.

The distribution of these fees varies depending upon the fee type. For example, general registration fees collected and remitted to the state in excess of \$1.1 million are allocated to counties by the state treasurer for boating safety/education and law enforcement programs that have been approved by the state parks and recreation commission, with funds allocated based on the number of registered vessels within the county, and each county receiving a distribution is also responsible for equitably

sub-allocating funds to other jurisdictions within the county that also have approved boating safety programs. Counties that do not receive a distribution under the statute due to the absence of an approved boating safety program may receive awards from the state parks and recreation commission to offset law enforcement and boating safety impacts of boaters recreating within their jurisdictions. ([RCW 88.02.650](#)).

## CORONER/MEDICAL EXAMINER FEES AND REIMBURSEMENT

### Autopsy Reimbursement

The state provides partial reimbursement to counties for the costs of autopsies ([RCW 68.50.104](#)), subject to appropriation, by providing up to:

- 40% of the costs of contracting with a pathologist for autopsies;
- 25% of the salary of pathologists who are primarily engaged in performing autopsies and are either coroners/medical examiners, or employees of the coroner/medical examiner; and
- 100% of the cost of the autopsy and death investigation for children under the age of three whose death was sudden and unexplained.

These funds are distributed in February and August each year. Any county that reduces the funds it appropriates for these purposes below 1983 budgeted levels is not eligible for a distribution.

### Coroner's Fees

The county coroner collects fees for certain services ([RCW 36.18.030](#)). Where a district court judge performs the duties of coroner, pursuant to [RCW 36.24.160](#), the judge is entitled to the same fees.

The coroner is also authorized to perform the duties of sheriff in certain conditions pursuant to [RCW 36.24.010](#), and when performing the duties of the sheriff the coroner shall receive the same fees as a sheriff would receive for the same service.

In noncharter counties with a population of less than 40,000, the prosecuting attorney serves as coroner, and each noncharter county with a population of 250,000 or more may appoint a medical examiner instead of electing a coroner ([RCW 36.16.030](#)). Charter counties may also appoint the prosecuting attorney or a medical examiner to perform the same functions if desired. Presumably, the prosecuting attorney or medical examiner is entitled to the same fees for performing the duties of a coroner.

## DISTRICT COURT FINES, FEES, AND REIMBURSEMENTS

District courts receive a variety of fines, fees, and reimbursements. However, any fees or fines imposed upon defendants or violators may not necessarily result in collections due to their inability to pay in some instances. Collect and forecasting these revenues is challenging.

### Civil and Criminal Infractions

District courts collect various fines, fees, and penalties for civil infractions (such as parking or traffic violations) and criminal violations. Some of these funds must be remitted to the state treasurer, while others are retained by the county for court functions, the current expense (general) fund ([RCW 3.62.020](#)), or must be shared with the county or regional law library ([RCW 27.24.070](#)).

For example, the court may impose fees for:

- Civil infractions (see [RCW 7.80.120](#));
- Traffic infractions (see [RCW 46.63.110](#));
- Misdemeanors, gross misdemeanors, participation in a deferred prosecution program for substance abuse or mental health treatment, and failure to appear in court (see [RCW 10.01.160](#));
- Convicted domestic violence offenders ([RCW 10.99.080](#));
- Jail industries programs, which deduct inmates' earnings to help pay for court-ordered legal financial obligations ([RCW 36.110.110](#));
- Probation monitoring ([RCW 9.95.214](#)); and
- Filing fees ([RCW 3.62.060](#) and [RCW 3.62.070](#)).

### Dispute Resolution Surcharge

A county legislative authority may impose a surcharge of up to \$10 on each civil filing in district court and up to \$15 for each filing in small claims court to fund dispute resolution centers ([RCW 7.75.035](#)).

### District Court Judges' Salaries

The two-year salary schedule for district court judges is updated in odd-numbered years by the Washington Citizen's Commission on Salaries for Elected Officials and codified at [RCW 43.03.012](#). In 2005, the state legislature began providing a portion of the salaries for district court judges. The original intent was for the state to cover 50% of the judges' salaries, but the actual amount is subject to appropriation and has so far fallen far short of that goal.

The county must contribute to its trial court improvement account and deposit an amount equal to 100% of the state's district court salary contribution each year. These funds must be appropriated by the county legislative authority to fund improvements to superior and district court staffing, programs, facilities, or services ([RCW 3.58.060](#)).

### Interlocal Agreements

Cities that do not use their own courts must enter into interlocal agreements with their counties to reimburse the counties for the costs of prosecution, adjudication, sentencing, and incarceration of misdemeanor and gross misdemeanor offenses committed by adults in their respective jurisdictions

and referred from their respective law enforcement agencies ([RCW 39.34.180](#)). The county or the city may invoke binding arbitration to resolve the issue of compensation in the event agreement cannot be reached through negotiation.

In addition, cities must pay filing fees for traffic and criminal infractions filed in district court ([RCW 3.62.070](#)). Any costs, fines, forfeitures, and penalties assessed and collected in district court because of violations of city ordinances must be remitted by district court to the city treasurer under [RCW 3.62.040](#).

### **Other District Court Fees**

State law also establishes fees for certain other district court services (see [RCW 3.62.060](#)).

## PROSECUTING ATTORNEY REIMBURSEMENT

### Prosecuting Attorney's Salary

Article 11, section 5 of the [Washington State Constitution](#) provides that the state legislature must regulate the salaries of various county officials, except that it may delegate that authority to the county legislative body. The state has established minimum annual salaries for county officers in [RCW 36.17.020](#).

Recognizing that prosecuting attorneys serve dual roles acting on behalf of the state (in pursuing criminal cases) as well as the county and other local governments (in civil matters), the state covers a portion of the county prosecutor's salary ([RCW 36.17.020\(11\)](#)). The state contributes an amount equal to one-half the salary of a superior court judge toward the salary of the elected prosecuting attorney.

The two-year salary schedule for superior court judges, and thus the compensation received by each county toward the prosecuting attorney's salary, is updated in odd-numbered years by the Washington Citizen's Commission on Salaries for Elected Officials and codified at [RCW 43.03.012](#). The remainder of the prosecuting attorney's salary is paid by the county, which must contribute an amount that equals or exceeds the amount it contributed in 2008.

## SHERIFF AND JAIL FEES

### Law Enforcement Fees

The county sheriff provides various law enforcement services for county citizens. Individuals or jurisdictions receiving services from the sheriff that are not required by state statute are charged a fee.

State law also allows a fee to be charged for some of the required services, such as:

- Issuing concealed pistol license permits and renewals ([RCW 9.41.070](#)) and
- Serving summons to appear and various writs and warrants, fingerprinting, and conducting criminal history checks, and other services ([RCW 36.18.040](#)).

For the fees authorized under [RCW 36.18.040](#), the county legislative authority may set higher fees to cover the costs of administration and operation. However, the fees imposed by that section do not apply to juvenile offenders. For concealed pistol licenses, a portion of the funds is retained by the county while the remainder is remitted to the state.

### Immigration Detention Agreements

Many county jails lease bed space to the U.S. Immigration and Customs Enforcement (ICE) to house accused and convicted defendants for violations of immigration law. The lease rate is negotiated with ICE on a per-bed rate.

### Interlocal Agreements

Many cities and towns contract with the county sheriff for law enforcement services ([RCW 39.34.080](#)) or for the incarceration of people arrested by city police for misdemeanors or gross misdemeanors committed within the city ([RCW 39.34.180](#)). The reimbursement amounts for those services are determined by interlocal agreement.

## SUPERIOR COURT/COUNTY CLERK FEES AND REIMBURSEMENTS

### County Clerk's Fees

**RCW 36.18.016** and **RCW 36.18.020** authorize county clerks to collect fees for certain services and actions, including filing fees for civil actions and appeals from courts of limited jurisdiction, petitions of judicial review or unlawful harassment, probate proceedings, and other activities. No fee shall be collected when an abstract of judgment is filed by the county clerk of another county for the purposes of collecting legal financial obligations. Filing fees collected under **RCW 36.18.016** are not subject to division, but those fees collected under **RCW 36.18.020** are shared with the state and with the county or regional law library (**RCW 27.24.070**).

The county treasurer must deposit an amount equal to seventeen dollars (\$17) for every new probate or civil filing fee in superior court, including appeals, counterclaims, cross-claims, or third-party claims, for the support of the county or regional law library (**RCW 27.24.070**). The amount may be increased to \$20 or, for counties with multiple library sites, \$30 upon request of the law library board of trustees and with approval of the county legislative body or bodies. 46% of fees imposed under **RCW 36.18.020** are remitted to the state treasurer for deposit into the state general fund (**RCW 36.18.025**).

**Chapter 36.18 RCW** provides for other fees beyond those listed above such as appellate reviews (**RCW 36.18.018**). These are shared with the state for deposit into the judicial stabilization trust account.

### Civil and Criminal Infractions

Superior courts collect various fines, fees, and penalties for civil and criminal violations. For example, the court may impose fees for:

- Convicted domestic violence offenders (**RCW 10.99.080**);
- Electronic home confinement (**RCW 9.95.210(2)(d)**);
- Jail industries programs, which deduct inmates' earnings to help pay for court-ordered legal financial obligations (**RCW 36.110.110**); and
- Probation monitoring (**RCW 9.95.214**).

### Juvenile Fees

Many fees and legal financial obligations (LFOs) for juvenile offenders were repealed in 2015 because many juveniles were unable to pay, which meant their records could not be sealed and they had trouble obtaining employment as a result.

Counties may not impose any LFOs, fees, fines, or costs associated with juvenile offenses unless there is express statutory authority (**RCW 13.40.720**). However, statutory authority remains to impose certain fees upon juveniles or their parents/guardians, such as:

- Bail fees (**RCW 13.40.056**);
- Detention costs (**RCW 13.16.085**);
- Diversion service costs (**RCW 13.40.085**);
- Penalties for "most serious offenses" or sex offenses (**RCW 7.68.035**);

- Traffic and civil infractions ([RCW 13.40.250](#)); and
- Youth court fees ([RCW 13.40.640](#)).

### **Superior Court Judges' Salaries**

Article 4, section 13 of the [Washington State Constitution](#) requires the state to pay half of the salary for each superior court judge, with the other half paid by the county in which he or she is elected. The two-year salary schedule for superior court judges is updated in odd-numbered years by the Washington Citizen's Commission on Salaries for Elected Officials and codified at [RCW 43.03.012](#).

## TREASURER'S FEES

### Electronic Transaction Fees

If the county treasurer accepts credit cards, debit cards, and other electronic payments, the treasurer must determine the amount of the transaction processing cost ([RCW 36.29.190](#)). The processing cost may not exceed the treasurer's direct costs incurred for each type of electronic payment, and the cost must be borne by the payer unless otherwise specified.

For electronic payment of taxes, including interest and penalties associated with taxes, the transaction fee may be absorbed within the county treasurer's banking services budget ([RCW 36.29.190\(2\)](#)).

For non-tax payments, the treasurer may opt not to charge transaction fees for specific categories of payments if the county's legislative authority, or the legislative authority of a district where the county treasurer serves as ex officio treasurer, finds that it is in the county's or district's best interest not to charge a processing fee.

### Investment Fees

If the county treasurer is managing investments for other governmental entities, the treasurer is authorized to retain 5% of the earnings on each transaction as an investment service fee, up to a maximum of \$50 per year ([RCW 36.29.020](#)). However, if the fee amounts to \$5 or less, the county may (optionally) waive the fee.

### Real Estate Excise Tax Fees

Most real estate sales are subject to state and local real estate excise taxes (REET – see [page 106](#)), although some properties are exempt. The county treasurer must charge a transaction fee for each sale ([RCW 82.45.180](#)).

There is a \$5 base fee for all real estate sales, regardless of whether REET is due, sometimes referred to as the state technology fee or the real estate and property tax administration assistance fee. Half of this amount is retained by the county, while the other half is transmitted to the state treasurer. The state treasurer then distributes the fees it has received back to the counties, with half distributed to all counties on an equal basis and the other half distributed to all counties based on their proportionate population. All of the revenues the county receives must be placed in the county's special real estate and property tax administration assistance account to be used for the county's property tax valuation and REET affidavit systems.

If no real estate excise taxes are due on a sale, the county must charge an additional \$5 fee. If REET is owed but the tax due is less than \$5, the county must charge a fee so that the combined tax payment and fee equals \$5. If REET is owed and the tax due is \$5 or more, there is no additional fee.

In addition, the county retains 1.3% of the state real estate excise taxes due ([RCW 82.45.180](#)) and 1% of city or county REET due ([RCW 82.45.030](#)) as an administrative fee. All REET fees must be placed into the current expense fund to defray the costs of collection.

### **Other Treasurer's Fees**

The county treasurer is also authorized to collect an amount up to \$4 per parcel per year for handling special assessments, fees, rates, or charges on behalf of other districts ([RCW 36.29.180](#)). For preparing and certifying documents, the treasurer must collect a fee of \$2 for the first legal-size page and \$1 for each additional legal-size page ([RCW 36.18.045](#)).

# Other Revenue Sources

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## Franchise Fees

### Quick Summary

- Franchise agreements allow utility providers to install and maintain equipment within county rights-of-way.
- Franchise fees are generally limited to the recovery of administrative costs.
- Exception is cable TV, which may be assessed an annual fee up to 5% of gross revenues.

**RCW:** [Chapter 36.55 RCW](#)

Franchise agreements are contracts between the county and public or private utility providers that allow the utility providers to use the county's rights-of-way to deliver their services. A franchise agreement allows the utility provider to install, maintain, and repair utility infrastructure within the right-of-way while minimizing interference with public use of the right-of-way. Typically, these agreements last for 10 to 20 years but may not be for a period longer than 50 years ([RCW 36.55.060](#)).

[Chapter 36.55 RCW](#) authorizes counties to grant franchises on county roads and bridges for railways (see [RCW 36.55.030](#)) and “construction and maintenance of waterworks, gas pipes, telephone, telegraph, and electric light lines, sewers, and any other such facilities” (see [RCW 36.55.010](#)). The chapter does not specifically address the fees that may be charged for such franchises, but case law suggests that a franchise fee may be imposed to recover costs associated with creation and administration of the franchise.<sup>53</sup>

Cable television franchise agreements are governed by federal law rather than state law and are negotiated with the cable company. Cable TV franchise fees may be levied at a rate up to 5% of gross revenues from the franchise area every year, regardless of the administrative costs ([47 U.S.C. §542\(a\)](#) and (b)).

### Use of Revenues

Cable TV franchise fees are unrestricted and may be used for any lawful governmental purpose. All other franchise fees are intended to recover administrative costs only.

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<sup>53</sup> See *City of Lakewood v. Pierce Cty.*, 106 Wn. App. 63, 23 P.3d 1 (2001).

## Impact Fees – Growth Management Act (GMA)

### Quick Summary

- Fee charged to developers to mitigate the impacts on infrastructure and capital facilities because of increased demand resulting from new development.
- Revenues are restricted and may only be used for streets, parks, schools, and/or fire protection.
- May only be imposed by counties planning under the Growth Management Act.
- Must generally be expended within 10 years of receipt.
- Does not require voter approval.

**RCW: [82.02.050](#) – [.110](#)**

Impact fees are one-time charges assessed by a local government against real estate developers to help pay for new or expanded public facilities and infrastructure that will directly address the increased demand for services created by new development.

**RCW [82.02.050](#) – [.110](#)** authorizes counties fully planning under the Growth Management Act (GMA) to impose impact fees for:

- Public streets and roads
- Publicly owned parks, open space, and recreation facilities
- School facilities
- Fire protection facilities

Impact fees may be approved by the legislative body and do not require voter approval. Any jurisdiction that is *not* fully planning under GMA is not authorized to impose impact fees under these statutes.

### Use of Revenues

Impact fees help mitigate the impacts of growth associated with a specific development area. Impact fees may only be imposed for “system improvements” – public capital facilities within the county’s capital facilities plan that meet all three of the following criteria (see **WAC [395-196-850](#)**):

- Are designed to provide service to the community at large,
- Are reasonably related to the new development, and
- Will benefit the new development.

Impact fees *cannot* be used to fund operating and maintenance costs or private capital facilities. The impact fees cannot exceed a proportionate share of the system improvements, and counties cannot rely solely on impact fees to fund the improvements and must use additional funding sources (**RCW [82.02.050](#)**).

**RCW [82.02.090](#)** states that the revenues may only be used for:

- **Transportation:** Transportation impact fees must be used for “public streets and roads.” It is unclear whether these impact fees may be used to fund multimodal improvements, but such use is probably

acceptable as long as the transportation improvement is located within the street right-of-way (such as bus lanes, sidewalks, or bike lanes). However, it is doubtful that impact fees could pay for transportation equipment (such as buses or vanpool vehicles) or projects outside the right-of-way. And since impact fees are restricted to capital facilities, they cannot be used to fund operations and maintenance costs or transportation studies.

- **Parks:** Park impact fees must be used for “publicly owned parks, open space, and recreation” facilities. Many jurisdictions in Washington only charge park impact fees to residential construction or the residential portion of a mixed-use building/development, but a few also charge commercial or industrial developments, since employees (and not just residents) can directly benefit from nearby parks and recreational facilities.
- **Schools:** School impact fees must be used for “school facilities.” Typically, school impact fees apply only to residential construction or the residential portion of a mixed-use building/development. School districts are responsible for expending the impact fees, but only cities, towns, and counties are authorized to collect them. As a result, school impact fees require cooperation between school districts and the cities, towns, or counties administering the impact fee program, typically through interlocal agreements that specifically identify each party’s role.
- **Fire Protection:** Fire impact fees must be used for “fire protection facilities.” Since state law provides no further statutory or administrative definitions, some jurisdictions have taken it upon themselves to define “fire protection facilities” in their own local codes. Counties do not provide fire protection, but in some cases counties have signed interlocal agreements to collect fire impact fees and transmit the revenues to fire protection districts or regional fire authorities located within the county, similar to the arrangement with school districts.

Impact fees must be expended or encumbered within 10 years of receipt, unless there is an “extraordinary and compelling reason” for fees to be held longer, which must be documented in writing by the governing body ([RCW 82.02.070](#)).

Impact fees may not be used to correct existing deficiencies. For instance, a county may use transportation impact fees to help widen a road serving the new development, but it may not use the impact fees to replace or expand roadways in another area of the county that will not directly serve the new development.

However, an impact fee ordinance “may provide for the imposition of an impact fee for system improvement costs previously incurred by a county, city, or town to the extent that new growth and development will be served by the previously constructed improvements provided such fee shall not be imposed to make up for any system improvement deficiencies” ([RCW 82.02.060\(8\)](#)). For example, if a public works maintenance facility was designed and constructed to address both existing deficiencies (say, 60%) and future growth needs (say, 40%), impact fees could be used to pay for up to 40% of the debt service on the bond issued for that facility.

## Determining Impact Fee Rates

Local governments must establish a rate schedule for each type of development activity that is subject to impact fees, specifying the fee to be imposed for each type of system improvement (**RCW 82.02.060**). The schedule must be based on a formula or other calculation that incorporates, among other things:

- The cost of public facilities necessitated by new development;
- The cost of existing public facilities improvements;
- Adjustments to the cost of the public facilities for past or future payments made or reasonably anticipated to be made by new development;
- The availability of other public funding sources; and
- The method by which public facilities improvements were financed.

These rate studies should be updated periodically to reflect changes in the cost of facilities. While local governments are not required to hold a public hearing before adopting or increasing impact fees, it may be prudent to do so, especially if the decision might be controversial.

**Practice Tip:** Some jurisdictions automatically adjust their impact fees by indexing them to an inflation index, which protects future revenues and can potentially reduce or eliminate the need for the legislative body to go through a formal rate-setting process again. Examples of inflation indexes include, but are not limited to, the Consumer Price Index (CPI-U or CPI-W) and the WSDOT Transportation Construction Cost Index.

Local governments may provide exemptions for low-income housing and other development activities with “broad public purposes” (**RCW 82.02.060(3)**). Some jurisdictions reduce or waive certain types of impact fees for certain types of development, either to incentivize development or because the development places no significant burden on existing facilities. However, any exemption for school impact fees that would otherwise be distributed to a school district must first be approved by the school district.

## Timing of Receipts

Developers must generally pay impact fees to the county before construction begins. The money must be earmarked and retained in a special interest-bearing account, with a separate account for every type of facility for which the fees are collected (parks, transportation, etc.). Each county that imposes impact fees must provide an annual report on each of the accounts showing the source and amount of revenues, as well as the improvements financed with the revenue (**RCW 82.02.070**).

However, effective 2016, cities, towns, and counties must adopt an impact fee deferral system for small single-family residential developments, allowing developers to pay the fees after construction instead of beforehand (**RCW 82.02.050(3)**).

**RCW 82.02.080** requires each jurisdiction to refund the impact fees, plus earned interest, to the developer if:

- The impact fee is not expended or encumbered within 10 years of collection;

- The jurisdiction ends its impact fee program and the funds have not yet been expended or encumbered; or
- The developer does not proceed with the proposed development activity and requests a refund.

## Impact Fees – Local Transportation Act (LTA)

### Quick Summary

- Fee charged to developers to mitigate the impacts on infrastructure and capital facilities because of increased demand resulting from new development.
- Revenues are restricted and may only be used for transportation.
- May be imposed by any county, but typically impact fees are assessed under the Growth Management Act rather than LTA.
- Does not require voter approval.

**RCW:** [Chapter 39.92 RCW](#)

Impact fees are one-time charges assessed by a local government against real estate developers to help pay for new or expanded public facilities and infrastructure that will directly address the increased demand for services created by new development.

Any county, city, or transportation benefit district – regardless of whether or not it is planning under the Growth Management Act (GMA) – may impose transportation impact fees under the Local Transportation Act (LTA), [chapter 39.92 RCW](#). These impact fees may be approved by the legislative body and do not require voter approval.

LTA was enacted in 1988 but was followed just two years later by GMA, which provided much broader authority for “fully planning” GMA jurisdictions to impose impact fees for parks, schools, and fire protection in addition to transportation (see [page 166](#)). As far as we are aware, all jurisdictions that currently impose impact fees in Washington do so under the authority of GMA, not LTA.

### Use of Revenues

LTA impact fees may only be used to mitigate off-site transportation impacts that are a direct result of the proposed development, pursuant to a local transportation program that complies with [RCW 39.92.030](#) and [RCW 39.92.040](#).

## Investments (Interest Earnings)

### Quick Summary

- Counties may invest excess funds not immediately needed for operations.
- Interest earned on the investments may be used by the fund that was invested, for purposes allowed within that fund.
- Earnings may or may not be restricted, depending upon the revenue source.

### RCW: [36.29.020](#)

[RCW 36.29.020](#) allows the county treasurer to invest excess monies to generate additional income. Funds may either be invested in individual investment portfolios, or multiple funds may be commingled into a common investment portfolio.

State law provides various restrictions on what types of investments can be made. If your county will be investing excess funds, you should consider developing and adopting an investment policy to spell out your county's goals and responsibilities. While the entire purpose of investing funds is to generate a return on the investment (yield), local governments should be careful to prioritize liquidity (the ability to access funds when needed without loss) and safety of the investment over yield. For guidance, see MRSC's [Investment Policies](#) webpage.

The county treasurer may also invest any excess funds in his or her custody belonging to other local governments. The earnings from those investments must be distributed to the respective local governments' funds, but the treasurer may charge an administrative fee to recoup expenses (see [page 163](#)).

### Use of Revenues

All income derived from such investments must be apportioned and used for the benefit of the participating funds, or – unless otherwise restricted by law – the county may adopt an ordinance or resolution that authorizes the apportionment of the investment earnings to the general fund.

Interest transferred into the general fund may be used for any lawful governmental purpose. In addition, it has generally been interpreted by SAO that interest earnings on excess “restricted” resources are to be used for the benefit of the restricted fund. See the BARS manuals, section 3.2.3 on Sweeping Interest and Investment Returns into General Fund (see [Cash Basis manual](#) and [GAAP manual](#)).

## Tourism Promotion Area Fees

### Quick Summary

- Any county over 40,000 population may form a tourism promotion area and impose charges up to \$2 per room per night.
- Only applies to lodging businesses with 40 or more rooms.
- May establish up to six different lodging classifications, with different rates in each.
- Revenues must be used for tourism promotion.
- Only applies to unincorporated areas, unless county signs an interlocal agreement with one or more cities.
- Require support from local lodging businesses, but does not require voter approval.

**RCW:** [Chapter 35.101 RCW](#)

The legislative body of any county over 40,000 population, or any city or town located within such a county, may form a tourism promotion area (TPA) to generate revenue for tourism promotion ([chapter 35.101 RCW](#)). Counties of 40,000 or less are not eligible.

Tourism promotion area fees are different than lodging taxes (see [page 99](#)) and may be imposed in addition to lodging taxes. Forming a tourism promotion area requires support from the local lodging industry, and the petition to form the TPA must contain the signatures of people who operate lodging taxes within the proposed area and who would pay at least 60% of the proposed charges.

A TPA may include the entire county or only a portion. However, a county TPA may only include unincorporated areas, unless the county has signed an interlocal agreement with one or more cities to form a joint TPA.

Within the tourism promotion area, the legislative body may impose a charge of up to \$2 per room per night on lodging businesses with 40 or more rooms. The legislative body may establish up to six different lodging classifications, sometimes referred to as “zones,” with different rates in each. The classifications must be based on geographic location, number of rooms, or room revenue.

Lodging businesses with less than 40 rooms are exempt and may not be assessed, and some jurisdictions have established other exemptions by policy (typically by creating a separate classification for the exempted businesses and establishing a fee of zero dollars for that classification).

### Use of Revenue

The revenue must be used for “tourism promotion,” which is defined as “activities and expenditures designed to increase tourism and convention business, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists and operating tourism destination marketing organizations” ([RCW 35.101.010\(4\)](#)).

The county legislative body has sole discretion as to how the revenues will be spent to promote tourism – unlike lodging taxes, which for many jurisdictions depend on recommendations from the lodging tax advisory committee (LTAC). However, the legislative body may appoint an existing advisory board or create a new advisory board to make recommendations on the use of the TPA revenues if desired.

The legislative body may contract with tourism destination marketing organizations or other similar organizations to administer the operation of the area.

### **Timing of Receipts**

Lodging businesses collect the charges and remit them to the Department of Revenue, which deposits the revenues into the Local Tourism Promotion Account. The state treasurer distributes money in the account monthly to the legislative authority on whose behalf the money was collected.

## Transportation Benefit District Vehicle License Fees

### Quick Summary

- Any county that has established a transportation benefit district (TBD) may impose a non-voted vehicle license fee up to \$50 or a voted vehicle license fee up to \$100.
- Revenues must be used for specified transportation projects.

**RCW: 82.80.140**

Any county or city may form a transportation benefit district (TBD) under [chapter 36.73 RCW](#) to raise revenues for transportation purposes. While this has become a very popular way for cities to fund transportation improvements in recent years, as of 2019 we are not aware of any counties that have successfully funded a TBD.

TBDs may generate revenue through a variety of means, but the two primary funding mechanisms are a voted sales tax up to 10 years and 0.2% (see [page 95](#)) and a vehicle license fee (“car tab fee”) up to \$100 as described below. It is worth noting that these two revenue options are imposed upon different sources – TBD vehicle license fees are paid solely by county residents who own vehicles, while TBD sales taxes are paid by anyone who makes retail purchases within the county. The amount of revenue a county can generate with each option will also vary depending on the rates imposed, the local economy, and the number of registered vehicles.

Any TBD (or county, if the county has “assumed” the TBD under [chapter 36.74 RCW](#)) may impose a vehicle license fee up to \$50 without voter approval, or up to \$100 with voter approval ([RCW 82.80.140](#), [RCW 36.73.040\(3\)\(b\)](#)), in addition to any vehicle license fees charged by the state.

Certain vehicles are exempt under [RCW 82.80.140\(6\)](#), including campers, farm vehicles, mopeds, off-road and non-highway vehicles, snowmobiles, and private use single-axle trailers.

### Non-Voted Vehicle License Fees Up to \$50

The district may only impose a non-voted vehicle license fee up to \$20 initially. After a \$20 fee has been in effect for at least 24 months, the district may increase the fee up to \$40. After a \$40 fee has been in effect for at least 24 months, the district may increase the fee up to the maximum \$50. However, the portion of the fee above \$40 is subject to potential referendum as provided in [RCW 36.73.065\(6\)](#), even if your county is a non-charter county and does not otherwise have powers of initiative and referendum.

If a district imposes or increases its non-voted vehicle license fee that, when combined with fees previously imposed by another district within its boundaries, exceeds \$50, the district must provide a credit so that the combined vehicle fee does not exceed \$50.

### **Voted Vehicle License Fees Over \$50**

Any vehicle license fee higher than the amounts listed previously, up to a maximum of \$100, must be approved by a simple majority of voters. The measure may be placed on the ballot at any special, primary,<sup>54</sup> or general election.

According to MRSC's [Local Ballot Measure Database](#), King County is the only county that has attempted a voted vehicle license fee, and the attempt was unsuccessful.

### **Use of Revenues**

The revenues may be used for eligible “transportation improvements” listed in a local, regional, or state transportation plan in accordance with [chapter 36.73 RCW](#). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

However, [RCW 82.80.140](#) states that the revenue may not be used for passenger-only ferry improvements unless the vehicle license fee is approved by voters.

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<sup>54</sup> [RCW 36.73.065](#)(1) states that the tax must be submitted at “a general or special election,” which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321](#)(2), which establishes the election schedule for local governments, authorizes the county to call up to four “special elections” each year, including the primary election. So for these purposes, “special election” includes the primary election.

## Utility Rates and Charges

### Quick Summary

- Any county that has established a utility must set an appropriate rate to recover cost.
- Revenues must be used for specified utility purpose.

**RCW:** [Chapter 36.58 RCW](#); [Chapter 36.94 RCW](#)

Counties may own and manage their own solid waste, water, sewer, and/or stormwater utility systems. Each of these utilities is considered a “proprietary” activity, which is to say that it functions as a business activity separate from the general governmental activities. (See [chapter 36.58 RCW](#) and [chapter 36.94 RCW](#).)

This guide is not intended to address the complexities of proper rate-setting but only to speak to the overarching concepts of utility rates and charges.

### Utility Rate Setting

Ideally, all utility rates, system charges, and service fees should be set to recover the cost of operating the systems, in addition to charging for replacing equipment and adding or expanding facilities to meet regulations, future service demands, and setting aside for unforeseen events such as natural disasters.<sup>55</sup> Revenues for fees and charges must meet the expenses of the system, in addition to setting aside reserves.

Careful and accurate rate and service fee setting will assure that the utility operates in a fiscally responsible manner. Consideration should be given to the following areas when setting rates:

- Operating costs (wages, benefits, engineering fees, office supplies, chemicals, lighting, heat, repairs, and other daily operations);
- Insurance;
- State and local taxes;
- Debt service (principal and interest);
- Planning and engineering;
- Reserves for improvements, expansions, and upgrades; and
- Reserves for unforeseen events such as natural disasters.

Utility rates should also incorporate the utility’s portion of indirect or “overhead” costs incurred by the county, such as payroll administration, human resources, information technology, and shared facilities and equipment. See MRSC’s webpage on [Cost Allocation](#) for more guidance on overhead costs.

### Use of Revenues

Utility rates and charges are restricted to the use by the utility for its operations, including all of those costs listed above.

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<sup>55</sup> See *Uhler v. Olympia*, 87 Wash. 1 (1915); *Carstens v. Public Utility District No. 1*, 8 Wn.2d 136 (1941)

## Other Fees and Charges

Sprinkled throughout the RCWs is authority for counties to levy fees and charges to cover the cost of providing services or programs and regulatory activities. For example, fees may be charged for:

- Animal licensing<sup>56</sup>
- Fireworks retail and display permits<sup>57</sup>
- Inspection of restaurants<sup>58</sup>
- Licenses for certain businesses or events authorized by state law or county charter<sup>59</sup>
- Parks and recreation facilities<sup>60</sup>
- Processing of development and building permit applications<sup>61</sup>
- Public records copying charges<sup>62</sup>

This list is not comprehensive, and there are no doubt other examples.

The general guiding principle for these fees and charges is that they may be set at a level that recovers all the direct and indirect costs associated with the activity, including administrative overhead. (See MRSC’s webpage on [Cost Allocation](#) for guidance to help make sure you are fully and accurately accounting for indirect or “overhead” costs such as payroll administration, human resources, facility and equipment expenses, and information technology.)

If fees more than recover costs, they then become more like taxes, and counties need specific statutory authority to levy taxes.

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56 For example, see dog or kennel licensing in [RCW 36.49.020](#).

57 Fireworks permits: see [RCW 70.77.260](#) and [RCW 70.77.555](#).

58 Inspection of restaurants: see [RCW 70.05.060](#)(7).

59 Counties do not have the same authority as cities to require general business licenses, and there is no single county statute addressing business licensing. However, counties do have authority to require licenses and charge fees for certain specific businesses or activities within unincorporated areas – for example, massage therapists ([RCW 36.32.122](#)), retail liquor ([RCW 67.14.040](#)), public dances and other public recreational or entertainment activities ([RCW 67.12.021](#)), and pool halls, billiard halls, and bowling alleys ([RCW 67.12.110](#)).

60 Parks and recreation: see [RCW 36.68.090](#).

61 Development and building permit applications: see [RCW 19.27.100](#) and [RCW 82.02.020](#).

62 Copying charges: see [RCW 42.56.120](#).

# Special Taxing Districts

Counties have many options to form special taxing districts within the county or a portion of the county to generate additional revenue or shift funding sources.

Once thought of as existing only in unincorporated areas, many special taxing district statutes also allow the inclusion of cities and towns. Some districts have provisions for a countywide district, while others provide for multi-county districts or interlocal cooperation agreements. For most of these districts, the county legislative body serves as the governing body, although some may be governed by elected commissioners or by interlocal agreement.

Below is a brief summary of selected district types and their potential revenue implications. For further information on the formation of these districts, or regarding other district types not listed here, contact your county's prosecuting attorney.

Special District Type	Revenue Options	RCW
County Airport District	<ul style="list-style-type: none"> <li>Property tax levy up to \$0.75 per \$1,000 AV</li> <li>Revenue bonds</li> <li>Fees, charges, and concessions</li> </ul>	<a href="#">Chapter 14.08</a>
County Ferry District	<ul style="list-style-type: none"> <li>Property tax levy (see <a href="#">page 42</a>)</li> <li>General obligation bonds</li> <li>One-year excess O&amp;M levy</li> <li>Fares and vehicle replacement surcharges</li> </ul>	<a href="#">Chapter 36.54</a>
County Public Transportation Authority	<ul style="list-style-type: none"> <li>Transit sales tax (see <a href="#">page 94</a>)</li> <li>Local household tax</li> <li>Business and occupation (B&amp;O) tax</li> <li>Fees and charges</li> </ul>	<a href="#">Chapter 36.57</a> ; <a href="#">Chapter 35.95</a> ; <a href="#">82.14.045</a>
County Rail District	<ul style="list-style-type: none"> <li>General obligation bonds &amp; revenue bonds</li> <li>One-year excess O&amp;M levy</li> <li>Charges, fees, and special assessments</li> </ul>	<a href="#">Chapter 36.60</a>
EMS District	<ul style="list-style-type: none"> <li>EMS levy (see <a href="#">page 39</a>)</li> <li>One-year excess O&amp;M levy if population density &lt;1,000 per sq. mi.</li> </ul>	<a href="#">36.32.480</a>
Flood Control Zone District	<ul style="list-style-type: none"> <li>Property tax levy up to \$0.50 per \$1,000 AV</li> <li>Special assessments</li> <li>One-year excess O&amp;M levy</li> <li>Local improvement districts/Utility LIDs</li> <li>General obligation bonds &amp; revenue bonds</li> </ul>	<a href="#">Chapter 86.15</a>
Lake & Beach Management District	<ul style="list-style-type: none"> <li>Special assessments</li> <li>Rates and charges</li> <li>Revenue bonds</li> </ul>	<a href="#">Chapter 36.61</a>

Special District Type	Revenue Options	RCW
Library Capital Facility Area	<ul style="list-style-type: none"> <li>General obligation bonds – if first two bond measures fail, capital facility area must be dissolved</li> </ul>	Chapter 27.15
Metropolitan Park District	<ul style="list-style-type: none"> <li>Property tax levy up to \$0.75 per \$1,000 AV</li> </ul>	Chapter 35.61
Park & Recreation Service Area	<ul style="list-style-type: none"> <li>6-year property tax levy up to \$0.60 per \$1,000 AV</li> <li>One-year excess O&amp;M levy</li> <li>General obligation bonds</li> <li>Users fees, charges, and concessions</li> </ul>	36.68.400 – .620
Public Facility District (PFD)	<ul style="list-style-type: none"> <li>Lodging tax</li> <li>Admission &amp; parking taxes</li> <li>General obligation bonds &amp; revenue bonds</li> <li>User charges and fees</li> <li>One-year excess O&amp;M levy</li> </ul>	Chapter 36.100
Public Hospital Capital Facility Area	<ul style="list-style-type: none"> <li>General obligation bonds – if first two bond measures fail, capital facility area must be dissolved</li> </ul>	Chapter 70.265
Road & Bridge Service District	<ul style="list-style-type: none"> <li>One-year excess O&amp;M levy</li> <li>General obligation bonds</li> <li>Local improvement district/Utility LID</li> </ul>	Chapter 36.83
Shellfish Protection District (Clean Water District)	<ul style="list-style-type: none"> <li>County tax revenues</li> <li>Rates, charges, and inspection fees</li> </ul>	Chapter 90.72
Solid Waste Collection District	<ul style="list-style-type: none"> <li>User fees</li> </ul>	Chapter 36.58A
Solid Waste Disposal District	<ul style="list-style-type: none"> <li>Excise tax “sufficient to fund activities”</li> <li>One-year excess O&amp;M levies</li> <li>General obligation bonds &amp; revenue bonds</li> <li>User fees and charges</li> </ul>	36.58.100 – .150
Television Reception Improvement District	<ul style="list-style-type: none"> <li>Excise tax based on number of TV sets</li> </ul>	Chapter 36.95
Transportation Benefit District (TBD)	<ul style="list-style-type: none"> <li>Sales tax (see <a href="#">page 95</a>)</li> <li>Vehicle license fee (see <a href="#">page 174</a>)</li> <li>Border area fuel tax for TBDs including a Canadian border crossing</li> <li>Tolls</li> <li>Local improvement districts</li> <li>Impact fees on commercial &amp; industrial development</li> <li>General obligation bonds</li> </ul>	Chapter 36.73
Unincorporated Transportation Benefit Area	<ul style="list-style-type: none"> <li>Transit sales tax (see <a href="#">page 94</a>)</li> <li>Local household tax</li> <li>Business and occupation (B&amp;O) tax</li> <li>Fees and charges</li> </ul>	36.57.100 – 36.57.110; Chapter 35.95; 82.14.045

# Appendices:

## Major Revenue Sources by Program Area

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This appendix lists the major revenue sources for counties in Washington State, divided into the following program areas:

- Unrestricted revenues – may be used for any lawful governmental purpose
- Affordable housing
- Arts, science, and cultural programs
- Capital facilities
- Emergency communications and emergency medical services
- Law enforcement and criminal justice
- Mental health and substance abuse
- Parks, recreation, and land conservation
- Tourism promotion
- Transportation
- Miscellaneous revenues

Some revenue sources may be used for multiple purposes and are listed here under multiple program areas. We have also provided a brief summary of each revenue source, the eligible counties, whether or not the funding source requires voter approval, and the statutory (RCW) citation.

This appendix focuses on general governmental revenues and does not include fees for cost recovery (such as building permits) or proprietary activities (such as utility charges).

It also does not address the many types of special taxing districts that counties may form. For a brief overview of these special taxing districts, see [page 178](#).

## Appendix A - Unrestricted Revenues

The following revenue sources may be used, wholly or partially, for any lawful governmental purpose. However, note that some of these revenue sources could be partially restricted. In addition, any revenue sources requiring voter approval must be used in accordance with the purposes stated in the ballot measure, in which case they may be considered restricted resources rather than unrestricted.

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Admission Tax</b>	Any county	Tax of up to 5% of the admission charge for various facilities and events. May be imposed countywide, but may not be imposed within cities that have already established their own admission taxes. Revenues may generally be used for any lawful governmental purpose.	No	<b>36.38.010</b>
<b>“Basic” or “First Half” Sales Tax</b>	Any county	Sales tax of 0.5% for any lawful governmental purpose; revenue from incorporated areas is shared with cities.	No	<b>82.14.030</b> (1)
<b>Cable TV Franchise Fee</b>	Any county	Fee upon cable television providers of up to 5% of their gross revenues within the franchise area. Revenues may be used for any lawful governmental purpose.	No	<b>Chapter 36.55</b>
<b>City-County Assistance (ESSB 6050)</b>	Certain counties based on complicated formula	Quarterly distribution from state to qualifying counties based on population, per capita sales tax receipts, and historical MVET backfill. Revenues may be used for any lawful governmental purpose.	No	<b>43.08.290</b>
<b>Current Expense Fund Levy</b>	Any county	Primary source of property tax revenue for counties; may generally be used for any lawful governmental purpose. Maximum levy rate of \$1.80, but may be increased up to \$2.475 if using a road levy shift. May also potentially be increased through “banked capacity” or levy lid lifts.	No, except for levy lid lifts	<b>84.52.043</b> (1)
<b>Excess Levies (Operations &amp; Maintenance)</b>	Any county	1-year property tax levy; may be used for any lawful governmental purpose, but revenues must be spent in accordance with the purpose(s) specified in the ballot measure.	Yes – 60% supermajority	<b>84.52.052, 84.52.054</b>
<b>Federal Payments in Lieu of Taxes (PILT)</b>	Counties with tax-exempt federal lands	Payments from federal government for certain federal tax-exempt federal lands located within the county, to compensate for lack of property taxes. May be used for any lawful governmental purpose.	No	<b>Federal Law: 31 U.S.C. Ch. 69</b>

## Appendix A - Unrestricted Revenues - continued

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Leasehold Excise Tax</b>	Any county	Countywide excise tax up to 6% on most leases of tax-exempt properties in lieu of property tax; credited against state excise tax. Cities may also impose leasehold excise taxes up to 4%, which are credited against the county's rate. May be used for any lawful governmental purpose.	No	<b>82.29A.040</b>
<b>Liquor Excise Tax</b>	All counties	Quarterly distribution from State Treasurer's Office to all counties based on population. At least 2% must be used for approved drug and alcohol treatment programs and 20.23% for public safety programs, but remaining 77.77% may be used for any lawful governmental purpose.	No	<b>82.08.160, 82.08.170</b>
<b>Liquor Profits</b>	All counties	Quarterly distribution from State Treasurer's Office to all counties based on population. At least 2% must be used for approved drug and alcohol treatment program, but remaining 98% may be used for any lawful governmental purpose.	No	<b>66.24.065</b>
<b>"Optional" or "Second Half" Sales Tax</b>	Any county	Sales tax up to 0.5% for any lawful governmental purposes; revenue from incorporated areas is usually shared with cities.	No	<b>82.14.030(2)</b>
<b>Public Safety Sales Tax</b>	Any county	Countywide sales tax up to 0.3%. At least 1/3 of revenues must be used for criminal justice and/or fire protection purposes; remainder is unrestricted and may be used for any lawful governmental purpose. Cities have similar authority up to 0.1%. Cities and counties share revenue.	Yes – simple majority	<b>82.14.450</b>
<b>Public Utility District (PUD) Privilege Tax</b>	Counties with tax-exempt PUDs	PUD properties are exempt from property taxes, but the state imposes an excise tax on PUDs to compensate. Revenue is distributed to counties, which must also share some revenues with cities. Revenues may be used for any lawful governmental purpose.	No	<b>54.28.020(1)</b>
<b>REET in Lieu of "Second Half" Sales Tax</b>	Any county that has not imposed the 0.5% "second half" sales tax	Excise tax up to 0.5% on real estate sales within unincorporated area only; may be used for any lawful governmental purpose.	No	<b>82.46.010(3)</b>
<b>Road Levy Shift</b>	Any county	County may shift a certain dollar amount from the road levy to the current expense fund levy, decreasing the road levy rate while increasing the current expense levy rate.	No	<b>84.52.043(1)</b>

## Appendix B - Affordable Housing

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Affordable Housing Levy</b>	Any county	Property tax levy up to 10 years and \$0.50 per \$1,000 AV to finance affordable housing for very low-income households.	Yes – simple majority	<b>84.52.105</b>
<b>Affordable Housing REET</b>	San Juan County only	Countywide real estate excise tax up to 0.5% for affordable housing. Must be periodically re-authorized by voters.	Yes – simple majority	<b>82.46.075</b>
<b>Affordable Housing Sales Tax</b>	Any county	Countywide sales tax up to 0.1% for affordable housing and related services, including mental and behavioral health facilities and treatment programs. If a city has imposed this sales tax first, must provide credit back to city.	Yes – simple majority	<b>82.14.530</b>

## Appendix C - Arts, Science, and Cultural Programs

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Cultural Access Program (CAP) Levy</b>	Any county except King County, as long as city has not imposed this levy first.	Property tax levy up to 7 consecutive years for nonprofit cultural organizations. Levy amount may not exceed 0.1% of taxable retail sales; may not be imposed concurrently with CAP sales tax.	Yes – simple majority	<b>84.52.821, chapter 36.160</b>
<b>Cultural Access Program (CAP) Sales Tax</b>	Any county, as long as city has not imposed this sales tax first.	Sales tax of up to 0.1% and 7 consecutive years for nonprofit cultural organizations; may not be imposed concurrently with CAP levy.	Yes – simple majority	<b>82.14.525, chapter 36.160</b>
<b>Zoo &amp; Aquarium Sales Tax</b>	Pierce County only	Countywide sales tax up to 0.1% for zoos, aquariums, and wildlife facilities. Revenue is shared with cities.	Yes – simple majority	<b>82.14.400</b>

## Appendix D - Capital Projects and Facilities

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>G.O. Bond Excess Levies (Capital Purposes)</b>	Any county	Multi-year excess property tax levy to repay unlimited tax general obligation bonds. Revenues are restricted to capital purposes. As soon as debt is repaid, excess levies cease.	Yes – 60% supermajority	<b>84.52.056</b>
<b>Impact Fees – Growth Management Act (GMA)</b>	Counties fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	<b>82.02.050 – .110</b>
<b>Impact Fees – Local Transportation Act (LTA)</b>	Any county	Fee assessed to property developers to help pay for new or expanded transportation facilities directly addressing the increased demand created by that development.	No	<b>Chapter 39.92</b>
<b>REET 1</b>	Any county	Excise tax of 0.25% on real estate sales in unincorporated areas only. May be used for certain capital projects, depending on county's population and whether it fully plans under the Growth Management Act (GMA). For counties fully planning under GMA, eligible projects must be listed within the comp plan capital facilities element. May also be used for limited maintenance costs, with additional reporting requirements	No	<b>82.46.010(2)</b>
<b>REET 2</b>	Counties fully planning under Growth Management Act (GMA)	Additional excise tax of 0.25% on real estate sales in unincorporated areas only. May be used for certain capital transportation, water/storm/sewer, and park capital purposes listed in the county's capital facilities plan (CFP). May also be used for limited REET 1 purposes or maintenance costs, with additional reporting requirements. Use of revenues is somewhat more restrictive than REET 1.	No, unless county is voluntarily planning under GMA	<b>82.46.035(2)</b>

## Appendix E - Emergency Communications and Emergency Medical Services

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Enhanced 911 (E-911) Telephone Tax</b>	Any county	Excise tax on landline phone numbers, cell phone numbers, and VoIP service lines; revenues must be used for emergency services communication system.	No	<b>82.14B.030</b>
<b>Emergency Communications (E-911) Sales Tax</b>	Any county	Countywide sales tax up to 0.1% for emergency communications services and facilities.	Yes – simple majority	<b>82.14.420</b>
<b>Emergency Medical Services (EMS) Levy</b>	Any county	Countywide property tax levy up to \$0.50 per \$1,000 AV for emergency medical care or services. May be imposed for 6 years, 10 years, or permanently, with differing voter approval requirements. May also be imposed by cities, fire districts, public hospitals, and other taxing districts.	Yes – simple majority or 60% supermajority	<b>84.52.069</b>
<b>Liquor Excise Tax</b>	Any county	Quarterly distribution from State Treasurer’s Office to all counties based on population. At least 20.23% must be used for public safety programs.	No	<b>82.08.160, 82.08.170</b>

## Appendix F - Law Enforcement and Criminal Justice

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Criminal Justice Levy</b>	Counties with a population of 90,000 or less	Countywide property tax levy up to \$0.50 and 6 years for criminal justice purposes.	Yes – 60% supermajority	<b>84.52.135</b>
<b>Criminal Justice Distributions</b>	All counties	Quarterly distribution from state based on county’s population, crime rate, and number of cases filed in superior court. Revenues must be used for criminal justice purposes.	No	<b>82.14.310</b>
<b>Criminal Justice Sales Tax</b>	Any county	Sales tax of 0.1% – revenues must be used for criminal justice purposes. Revenue is shared with cities on a population basis.	No	<b>82.14.340</b>
<b>Gambling Tax</b>	Any county that allows gambling	Counties that allow gambling may tax the proceeds. Maximum tax rates depend upon type of gambling activity. Revenues must be used “primarily for the purpose of public safety.”	No	<b>9.46.110</b>
<b>Impaired Driving Safety (DUI) Account</b>	All counties	State distribution for projects used to reduce impaired driving and boating under the influence.	No	<b>46.68.260</b>
<b>Juvenile Detention Facility &amp; Jails Sales Tax</b>	Counties with a population of less than 1 million	Countywide sales tax of 0.1% for juvenile detention facilities and jails.	Yes – simple majority	<b>82.14.350</b>
<b>Liquor Excise Tax</b>	All counties	Quarterly distribution from State Treasurer’s Office to all counties based on population. At least 20.23% must be used for public safety programs.	No	<b>82.08.160, 82.08.170</b>
<b>Marijuana Excise Tax</b>	Counties that do not prohibit marijuana or have at least one marijuana retailer	Quarterly distribution from State Treasurer’s Office (1) to counties that do not prohibit marijuana businesses and (2) to counties where marijuana retailers are physically located.  No clear guidance on use of revenues, but stated intent of I-502 is that marijuana legalization will “[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention.”	No	<b>69.50.540(2)(g)</b>

## Appendix F - Law Enforcement and Criminal Justice - continued

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Public Safety Sales Tax</b>	Any county	Countywide sales tax up to 0.3%. At least 1/3 of revenues must be used for criminal justice and/or fire protection purposes; remainder is unrestricted and may be used for any lawful governmental purpose. Cities have similar authority up to 0.1%. Cities and counties share revenue.	Yes – simple majority	<b>82.14.450</b>
<b>REET 1</b>	Any county	Real estate excise tax up to 0.25% in unincorporated areas only – may be used for specified capital purposes/projects, including law enforcement facilities and judicial facilities. For counties fully planning under GMA, eligible projects must be listed within the comp plan capital facilities element. May also be used for limited maintenance costs, subject to additional reporting requirements.	No	<b>82.46.010(2)</b>
<b>REET 2</b>	Counties fully planning under Growth Management Act (GMA)	Additional real estate excise tax up to 0.25% in unincorporated areas only. Law enforcement facilities and judicial facilities are not outright permitted uses for REET 2 funds. However, law enforcement and judicial facilities are eligible under REET 1, and some REET 2 funds may be used for REET 1 purposes subject to additional reporting requirements.	No, except for voluntary GMA counties	<b>82.46.035(2)</b>
<b>Road Levy Diversion</b>	Any county	County may divert road levy revenues to the current expense fund to support services in unincorporated county. Typically used to fund traffic law enforcement or fish passage improvements; if used for other purposes, county will lose Rural Arterial Program (RAP) funding.	No	<b>84.52.043(1)</b>

## Appendix G - Mental Health and Substance Abuse

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Liquor Profits and Liquor Excise</b>	All counties	Quarterly distributions from State Treasurer's Office to all counties based on population. At least 2% must be used for approved drug and alcohol treatment programs.	No	<b>82.08.160</b> , <b>82.08.170</b> – Liquor excise  <b>66.24.065</b> – Liquor profits
<b>Marijuana Excise Tax</b>	Counties that do not prohibit marijuana or have at least one marijuana retailer	Quarterly distribution from State Treasurer's Office (1) to counties that do not prohibit marijuana businesses and (2) to counties where marijuana retailers are physically located.  No clear guidance on use of revenues, but stated intent of I-502 is that marijuana legalization will "[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention."	No	<b>69.50.540</b> (2)(g)
<b>Mental Health &amp; Chemical Dependency Sales Tax</b>	Any county	Sales tax up to 0.1% for mental health and drug treatment purposes.	No	<b>82.14.460</b>

## Appendix H - Parks, Recreation, and Land Conservation

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Conservation Areas REET</b>	Any county	Countywide real estate excise tax up to 1% for acquisition and maintenance of conservation areas. Must be periodically re-authorized by voters.	Yes – simple majority	<b>82.46.070</b>
<b>Conservation Futures Levy</b>	Any county	Countywide property tax levy up to \$0.0625 for purchasing open space and future development rights.	No	<b>84.34.230, 84.34.240</b>
<b>Impact Fees – Growth Management Act (GMA)</b>	Counties fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	<b>82.02.050 – .110</b>
<b>REET 1</b>	Any county	Real estate excise tax up to 0.25% in unincorporated areas only – may be used for specified capital purposes/projects, including parks and recreational facilities. For counties fully planning under GMA, eligible projects must be listed within the comp plan capital facilities element. May also be used for limited maintenance costs, subject to additional reporting requirements.	No	<b>82.46.010(2)</b>
<b>REET 2</b>	Counties fully planning under Growth Management Act (GMA)	Additional real estate excise tax up to 0.25% in unincorporated areas only – may be used for “capital projects” listed within the comp plan capital facilities element, including limited parks capital projects. Use of REET 2 revenues for parks is more restrictive than REET 1. May also be used for limited maintenance costs and REET 1 purposes (including broader definition of parks and recreation), subject to additional reporting requirements.	No, except for voluntary GMA counties	<b>82.46.035(2)</b>

## Appendix I - Tourism Promotion

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Lodging Tax</b>	Any county	Tax up to 4% on the sale of short-term lodging less than 30 days, of which 2% is a credit against the state sales tax. Revenues must generally be spent for tourism promotion. Counties of 5,000 or more population must establish lodging tax advisory committee (LTAC) to guide use of revenues.	No	<b>67.28.180, 67.28.181(1)</b>
<b>Tourism Promotion Area Fees</b>	Any county over 40,000 population	Fee up to \$2 per room per night on lodging businesses with 40 or more rooms; must be used for tourism promotion.	No	<b>Chapter 35.101</b>

## Appendix J - Transportation

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Capron Refunds</b>	San Juan and Island counties only	Refunds of state gas taxes and motor vehicle license fees for island counties to compensate for their lack of state highways and state highway investment. Must be used for same purposes as motor vehicle fuel tax.	No	<b>46.68.080</b>
<b>Commercial Parking Tax</b>	Any county	Tax upon commercial parking businesses in unincorporated areas only. Revenues must be used for transportation purposes.	No	<b>82.80.030</b>
<b>County Road Levy</b>	Any county	Property tax levy up to \$2.25 for the county road fund; only imposed in unincorporated areas.	No, except for levy lid lifts	<b>84.52.043<sup>(1)</sup>, 36.82.040</b>
<b>Ferry District Levy</b>	Any county	Counties that form passenger-only ferry districts may levy a property tax up to \$0.75 (or \$0.075 for King County) for such purposes.	No	<b>36.54.130</b>
<b>Federal Timber Sales/Secure Rural Schools</b>	Counties with national forests	Payments from federal government to counties for timber sales occurring in national forests within the county. Revenues must be used for county roads, schools, and other purposes authorized by federal law.	No	<b>16 U.S.C. Ch. 90</b>
<b>Impact Fees – Growth Management Act (GMA)</b>	Counties fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	<b>82.02.050 – .110</b>
<b>Impact Fees – Local Transportation Act (LTA)</b>	Any county	Fee assessed to property developers to help pay for transportation improvements directly addressing the increased demand created by that development.	No	<b>Chapter 39.92</b>
<b>Local Household Tax</b>	Counties providing transit service	Excise tax up to \$1 per month per household for public transportation purposes; may not be imposed concurrently with transit sales tax.	No	<b>35.95.040</b>
<b>Local Option Gas Tax</b>	Any county	Countywide gas tax of 10% of the state gas tax rate, in addition to existing federal, state, or local gas taxes. Revenues are shared with cities and must be used for transportation/highway purposes.	Yes – simple majority	<b>82.80.010</b>

## Appendix J - Transportation - continued

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Motor Vehicle Fuel Tax (MVFT)</b>	All counties	Monthly distribution from state to all counties based on population, annual road costs, and “need.” Revenues must be used for designated street, road, and highway purposes; must use at least 0.42% for pedestrian, equestrian, or bicycle trails unless such amount would be \$500 or less per year.	No	<b>46.68.090, 46.68.120</b>
<b>Multimodal Funds and Increased MVFT</b>	All counties	Quarterly distribution from state to all counties based on population, annual road costs, and “need.” Increased MVFT must be spent for same purposes as motor vehicle fuel tax; multimodal funds may be spent for any transportation purpose.	No	<b>46.68.126</b>
<b>REET 1</b>	Any county	Real estate excise tax up to 0.25% in unincorporated areas only – must generally be used for specified capital purposes/projects, including transportation capital projects. For counties fully planning under GMA, eligible projects must be listed within the comp plan capital facilities element. May also be used for limited maintenance costs, subject to additional reporting requirements.	No	<b>82.46.010(2)</b>
<b>REET 2</b>	Counties fully planning under GMA	Additional real estate excise tax up to 0.25% in unincorporated areas only – may be used for “capital projects” listed within the comp plan capital facilities element, including transportation capital projects. May also be used for limited maintenance costs, subject to additional reporting requirements.	No, except for voluntary GMA counties	<b>82.46.035(2)</b>
<b>Transit Sales Tax</b>	Counties providing transit service	Sales tax up to 0.9% for public transportation purposes. Typically imposed by public transportation benefit areas (PTBAs) or other transit providers rather than counties.	Yes – simple majority	<b>82.14.045, 81.104.170</b>
<b>Transportation Benefit District (TBD)</b>	Any county	Special taxing district to generate revenue for transportation projects included in a local, regional, or state transportation plan. Most common TBD revenue sources are sales taxes and vehicle license fees, but some other options are available.	Some revenue sources require voter approval	<b>82.80.140</b>

## Appendix K - Miscellaneous Revenues

Revenue source	Eligible counties	Description	Voter approval?	RCW
<b>Flood Control Zone District Levy</b>	Any county	Counties that have formed flood control zone districts may levy a property tax up to \$0.50 for such purposes.	No	<b>86.15.160(3)</b>
<b>Investments (Interest Earnings)</b>	Any county	Any county may invest excess monies to generate additional income for one or more funds.	No	<b>36.29.020</b>
<b>Marijuana Excise Tax</b>	Counties that do not prohibit marijuana or have at least one marijuana retailer	<p>Quarterly distribution from State Treasurer's Office (1) to counties that do not prohibit marijuana businesses and (2) to counties where marijuana retailers are physically located.</p> <p>No clear guidance on use of revenues, but stated intent of I-502 is that marijuana legalization will "[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention."</p>	No	<b>69.50.540(2)(g)</b>
<b>Refund Levies</b>	Any county	Property tax levies to pay for property tax administrative refunds or refunds due to judgments.	No	<b>84.69.020, chapter 84.68</b>
<b>Rental Car Sales Tax – Public Sports</b>	Any county	Countywide sales tax of 1% upon taxable retail car rentals to fund public sports facilities and activities.	No	<b>82.14.049</b>
<b>Rural Counties Public Facilities Sales Tax</b>	Rural counties	Countywide sales tax credit up to 0.09% to finance public facilities and finance personnel serving economic development purposes.	No	<b>82.14.370</b>
<b>State Forest Timber Revenues</b>	Counties with state forests	State distribution to counties from timber sales and other commercial activities occurring in certain state forest lands. Revenues must generally be distributed to county funds in the same manner as general taxes.	No	<b>79.64.110</b>
<b>Timber Excise Tax</b>	Counties with timber assessed value	Credit up to 4% against state timber excise tax. Counties share revenue with other taxing districts based on timber sales, timber assessed value, and levy rates. Eligible counties will receive a distribution for all of their levies.	No	<b>84.33.041, 84.33.051, 84.33.081</b>
<b>Transit Levy</b>	King County only	Property tax levy up to \$0.075 for transit-related purposes.	No	<b>84.52.140</b>

# Recommended Resources

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Below are additional resources from other organizations that provide further explanation of local government revenues and distributions.

## Revenue Sources Generally

### Washington Department of Revenue:

- [Statistics & Reports](#) – Comprehensive website tool to create interactive sales and use tax, property tax, and other local government tax reports.

## Property Taxes

### Washington Department of Revenue:

- [Property Tax Levies Operations Manual](#) – Very comprehensive and detailed manual for administering property taxes.
- [Ballot Measure Requirements](#) – Overview of voted property tax levies, including types of voted levies, the levy lid, election dates, and ballot title requirements.

## Sales Taxes and Other Excise Taxes

### Washington Department of Revenue:

- [Local Tax Reference Guide](#) – Summaries for all local sales and use taxes, including lodging tax, credits against the state sales tax, and brokered natural gas use tax, as well as E-911 excise taxes and rental car taxes.
- [Tax Reference Manual](#) – General information and history for selected state and local excise taxes; addresses state sales taxes but not local sales taxes.
- [Local Sales and Use Tax Distribution](#) – Annual summaries of sales tax distributions by type and jurisdiction.

## State Distributions to Local Governments

### Washington State Fiscal Website:

- [Local Government Distributions Guide](#) – Detailed descriptions and history of each distribution of revenues classified as state assistance and state shared revenues.
- [Distributions to Local Entities](#) – Interactive revenue distribution reports for local government entities from 2013 to present by distribution source, by local government entity, or source totals. Distribution amounts reported are based upon the state fiscal period of July 1 to June 30.

### Washington State Treasurer's Office:

- [Local Government Revenue Distributions](#) – Brief descriptions, contact information, and distribution data for each local distribution source.