LOCAL RETAIL SALES AND USE TAXES
RCW 82.14 and RCW 81.104.170

Tax Base — Generally, the same as the state retail sales/use tax. However, the 0.5 percent food/beverage tax in King County applies only to prepared food items and beverages consumed on the premises of the seller; the 0.5 percent regional transportation sales tax (not currently levied) exempts motor vehicles but imposes a unique use tax on vehicles purchased by residents of the district; and the public safety tax does not apply to motor vehicles at all.

Tax Rate

State law currently authorizes **25** different types of local sales and use taxes. These range from a two-part city/county tax of up to 1 percent used for general local purposes that is levied in all counties to a 0.1 percent tax that is restricted to funding of zoos in a single county. Twenty-two of the authorized taxes have been levied, producing a total of $2.6 billion annually, while the other three types of local taxes have yet to be implemented. Of the currently levied local sales taxes, 12 are paid directly by purchasers, while ten are credited against the state sales tax, resulting in no extra tax burden for buyers but with the impact being shifted to the state.

The highest aggregate local rate currently levied (July 2009) is 3 percent. This applies in most of King County and southeastern Snohomish County (but not within Everett or the unincorporated area outside of the transit district). Thus, the highest combined state/local rate in Washington is now 9.5 percent. Pierce County is close behind with a maximum local rate of 2.8 percent and a combined total of 9.3 percent. In most other areas of the state the local tax rate ranges from 1.2 to 2.2 percent (7.7 to 8.7 percent combined). The average local sales tax rate statewide is estimated to be nearly 2.4 percent. The city of Stevenson in Skamania County currently has the distinction of being the only incorporated area in the state with an aggregate local sales tax rate of just 0.5 percent, since it levies none of the optional 0.5 percent rate. The same rate also applies in the unincorporated areas of Klickitat and Skamania counties.

The 25 different types of local sales/use taxes are described below. The first section lists the 15 taxes which are included in the overall tax rate paid by purchasers. The final ten taxes are those which are credited against the state sales tax; therefore, they do not impose an additional burden on purchasers.

LOCAL SALES TAXES PAID BY PURCHASERS

CITIES: RCW 82.14.030 allows cities to levy a basic 0.5 percent sales and use tax rate, plus an optional tax at rates ranging from 0.1 to 0.5 percent. Currently, there are 281 incorporated cities and all of them levy the basic 0.5 percent tax. Only the city of Stevenson does not levy any of the optional tax; two others – Asotin City and Clarkson - levy only a portion of the optional tax. Cities also receive revenues from some of the other local sales taxes, e.g., the criminal justice tax that is levied by counties and from transit rates levied by some municipalities.

COUNTIES: Under the same statute, counties may levy the same rates as cities. The county tax applies countywide, although the city taxes derived within municipalities are credited against the county tax. Thus, the county tax only applies within cities if the county rate happens to be higher than the city rate. (However, the county receives a portion of the city tax – see distribution section.) Currently, 36 counties levy the full 1 percent tax. Two counties - Klickitat and Skamania - levy all of the basic and none of the optional tax; while Asotin County levies the basic and 0.3 percent of the optional tax. Counties also receive local sales tax revenues from the criminal justice, correctional facilities, and mental health taxes, the rural county tax, and transit and public facility local tax rates.

TRANSIT: Under RCW 82.14.045 there are 27 cities, counties, or public transportation benefit areas (PTBAs) that levy a local sales and use tax rate to finance local bus systems. Rates for the local tax may range from 0.1 to 0.9 percent. As of July 2009, King County and the Snohomish County PTBA are the only jurisdictions to levy the full 0.9 percent rate. Rates in the other 25 transit jurisdictions range from 0.2 to 0.8 percent.

HIGH CAPACITY TRANSIT: RCW 81.104.170, established in 1990, authorizes an additional local sales/use tax of up to 1 percent. This tax may be levied, if approved by the local voters, by cities that operate transit systems, county transportation authorities, King County Metro, or a PTBA, but the proceeds must be devoted to a high capacity transportation system (e.g., a light rail system or other form of transit which operates on an exclusive right of way). If the county also levies a local sales/use tax of 0.1 percent for criminal justice programs, as described below, then the maximum rate of the tax for high capacity transit is 0.9 percent. The Regional Transit Authority (known as Sound Transit) covering portions of King, Pierce, and Snohomish counties obtained voter approval for this tax in November 1996. The RTA began levying a rate of 0.4 percent throughout the urban area of these three counties on April 1, 1997. The voters approved an increase in the rate in 2008 up to the maximum 0.9 percent, and this rate became effective on April 1, 2009. (NOTE: Legislation in 2009 authorized creation of a high capacity transportation corridor area in Clark and Spokane counties; such entities could levy the same 0.9 percent local tax.)

CRIMINAL JUSTICE: RCW 82.14.340, adopted in 1990, establishes an additional local sales/use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties, although the receipts are shared with cities: 10 percent goes to the county and the remaining 90 percent is apportioned to the county and all cities within the county on the basis of population. Imposition is subject to potential referendum by the voters. Currently, 32 counties are levying the tax.

PUBLIC FACILITIES: RCW 82.14.048 provides for an additional 0.2 percent local sales and use tax to be used for acquisition, construction, and operation of public facilities, such as sports and entertainment facilities. This tax was established in 1991 at a rate of 0.1

percent, and the maximum rate was increased to 0.2 percent in 1999. The tax is levied by the board of a public facilities district, established under chapter 36.100 or chapter 35.57 RCW. To date, the tax has been imposed only in Spokane County to finance the Spokane Arena, and the tax rate remains at 0.1 percent. (NOTE: Public facilities districts may also levy the regional centers tax as described later in this section.)

JUVENILE CORRECTIONAL FACILITIES: RCW 82.14.350 establishes a local sales/use tax of 0.1 percent for construction and operation of juvenile detention facilities and jails. The tax may be levied by counties with populations of less than one million, thus excluding King County. Voter approval is required. Originally adopted in 1995, to date it has been implemented in 14 counties.

KING COUNTY FOOD/BEVERAGE TAX: RCW 82.14.360, enacted in 1995, allows King County to impose a sales/use tax of 0.5 percent on food and beverages sold by restaurants, taverns, and bars. Receipts of the tax are dedicated to funding of Safeco Field in Seattle. The tax is not deductible from the state sales tax, so it increases the overall tax rate on such products to 10 percent (within the regional transit district). This tax was the first sales tax in Washington, the base of which differed from other taxable items (now vehicles are treated differently for several types of sales taxes). The tax is intended to apply to prepared items which are consumed on-premises; grocery stores and convenience stores are exempt. The tax was adopted by the King County Council in October 1995 with an effective date of January 1, 1996. The tax will expire when the bonds that finance the facility are retired or no later than the end of 2016.

ZOO, AQUARIUM, AND WILDLIFE FACILITIES: RCW 82.14.400 authorizes a metropolitan park district to levy a 0.1 percent local sales/use tax to finance construction and operation of zoos, aquariums, and wildlife preservation and display facilities, as well as general costs of public parks. Levied by Tacoma and Pierce County, the tax benefits the zoo and aquarium at Point Defiance Park in Tacoma and the Northwest Trek facility operated by the Pierce County Metropolitan Park District. The law provides that 1 percent of the local receipts for the initial 12 years be transferred to the state Department of Commerce to be used for community-based housing programs for mentally ill persons. This local tax statute was adopted in 1999 and collection began in on January 1, 2001.

EMERGENCY COMMUNICATIONS: RCW 82.14.420 permits counties to levy a local sales/use tax of 0.1 percent for the financing of emergency communications systems and facilities. Voters of the county must approve the tax. Levying counties may share the tax receipts with the cities in the county to finance these systems and facilities. The authorizing legislation was adopted in 2002, and the tax was first implemented in Thurston County in January 2003. To date 12 counties have levied the tax.

REGIONAL TRANSPORTATION: RCW 82.14.430 establishes a local sales/use tax of up to 0.1 percent to finance regional transportation projects. The tax would be levied by a regional transportation investment district (RTID), comprised of two or more adjacent counties, and must be approved by the voters of the district. The base of the 0.1 percent tax is unlike any other local sales tax. It applies to all taxable retail sales within the district, except for sales of new or used motor vehicles. Instead, a unique local use tax of the same rate would apply to new or used vehicles purchased by residents of the district. This is intended to reduce the incentive for residents of the district to purchase vehicles outside of the district and thereby avoid the 0.1 percent local sales tax. Sellers of new and used vehicles throughout the state now code their sales according to the residence of the purchaser. The authorizing legislation for the local regional transportation sales/use tax was adopted in 2002, but the tax has yet to be levied anywhere in the state. The maximum rate of the local tax initially was 0.5 percent but was reduced to 0.1 percent in 2006.

PASSENGER FERRIES: In 2003 a new local sales/use tax was authorized to finance passenger-only ferry service (RCW 82.14.440). The tax is to be levied by a PTBA subject to approval by the voters of the district, and the maximum rate is 0.4 percent. The tax may only be levied by a PTBA which borders on Puget Sound and which is not located in a regional transit authority (which eliminates most of King, Pierce, and Snohomish counties). It is understood that the tax was intended for Kitsap County. A proposal was presented to the voters, but it was not approved.

PUBLIC SAFETY: This local sales/use tax was adopted in 2003. RCW 82.14.450 provides a tax of up to 0.3 percent for counties, subject to voter approval. At least one-third of the tax receipts must be devoted to criminal justice programs, including funding of additional police officers and the relief of congested court systems and overcrowded correctional facilities. The levying county is to retain 60 percent of the receipts, and the remaining 40 percent will be distributed to cities within the county on a per capita basis. The statute requires that the use of the revenues be stated in the ballot proposition; further, the receipts may not be used to replace existing funds for such programs. This local sales tax features another differential tax base which departs from the state sales tax base. Like the regional transportation tax, sales of motor vehicles are not subject to the local tax. However, unlike the transportation tax, there is no special use tax on vehicles purchased by owners who reside within the levying county. The tax has been implemented in five counties: Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

TRANSPORTATION BENEFIT DISTRICT: Similar to the authority provided for a regional transportation investment district, RCW 82.14.0455 provides a local sales tax of up to 0.2 percent for a transportation benefit district (TBD) formed pursuant to chapter 36.73 RCW. A TBD may include area within one or more counties, cities, port districts, county transportation authority, or public transportation benefit area. The tax may be levied for a ten-year period, unless reauthorized for a second ten years by the voters. The tax was authorized in 2005 and has yet to be implemented.

MENTAL HEALTH/CHEMICAL DEPENDENCY: A county tax of 0.1 percent was authorized in 2005 with the proceeds devoted to new or expanded county programs for mental health treatment, chemical dependency services, or therapeutic court programs (RCW 82.14.460). The tax has been imposed in 13 counties.

LOCAL SALES TAXES CREDITED AGAINST STATE TAX

KING COUNTY BASEBALL STADIUM: RCW 82.14.0485 provides for a local sales and use tax of 0.017 percent to be used exclusively for construction of a baseball stadium in King County (Safeco Field). The stadium must include a retractable roof and natural turf. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. Although the tax receipts are to be used by a public facilities district, the actual tax must be imposed by the county. The tax was levied by the King County Council in October 1995, and it was effective on January 1, 1996. It will expire when the bonds for the facility are retired. The tax may not be levied after January 1, 2016.

KING COUNTY FOOTBALL STADIUM: RCW 82.14.0494 authorizes a local sales and use tax of 0.016 percent to be used for a stadium (Qwest Field) designed to house a professional football team and an adjacent exhibition center. The stadium must be an open-air facility which can accommodate a national football league team and Olympic/World Cup soccer. Although the stadium is to be constructed and operated by a public stadium authority, the local sales tax is levied by the county. The statute provides the taxing authority to any county, but because of the restriction limiting the tax to a facility for professional football, the tax is effectively restricted to King County. Voters approved the statewide referendum authorizing the tax in June 1997 and the tax was first levied throughout King County in August 1997. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. The tax will expire when the bonds to finance the facility are retired (expected by November 2020).

RURAL COUNTIES: RCW 82.14.370 authorizes rural counties to impose a local sales/use tax of up to 0.09 percent. Originally, the authorized tax rate was 0.04 percent, but it was increased to 0.08 percent in 1999 and then to 0.09 percent, effective August 1, 2007. Eligible counties are those with an average population density of less than 100 residents per square mile or one that is smaller than 225 square miles; currently 32 counties qualify under this definition. The tax receipts may only be used for financing of public facilities, such as street improvements, bridges, water/sewer systems, etc., which serve economic development purposes (i.e., the creation or retention of jobs). This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent sales tax, and therefore the burden is shifted to the state general fund. Once a county qualifies and the tax has been levied, it may continue for up to 25 years. This program was effective on July 1, 1998, and the initial 24 counties began levying the tax on August 1, 1999. All 32 eligible counties are currently levying the 0.09 percent local tax.

REGIONAL CENTERS: RCW 82.14.390, enacted in 1999, establishes a local sales/use tax of up to 0.033 percent to finance regional centers. (Note: As a result of a 2007 amendment, the tax rate may be increased up to 0.037 percent, if the tax receipts were impacted by adoption of the Streamlined Sales Tax Agreement, relating to destination-based sourcing of local sales tax.) The tax may be levied by a public facilities district (PFD), created pursuant to chapters 35.57 or 36.100 RCW, after August 1, 2000, and before July 1, 2006. An amendment in 2007 extended the authorization to certain cities in King County for centers for which construction was initiated prior to July 1, 2008. Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. This tax is not an additional tax for consumers, and it does not change the overall retail sales/use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund. Authority to levy the tax is limited to districts that commence construction of eligible projects prior to February 1, 2007. Once levied, the tax may remain in place until bonds that finance the facility are retired, but in no case may the tax be levied for longer than 25 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds must be obtained for the project. First levied in August 2000, the tax is currently utilized to fund 22 projects throughout the state.

REGIONAL THEATERS: A variation of the regional centers local tax was adopted in 2007 by RCW 82.14.485. This enables PFDs with a population between 90,000 and 100,000 located in counties with fewer than 300,000 residents to impose a state-credited local sales/use tax at a rate of either 0.025 or 0.020 percent, depending upon the date the PFD was formed. Receipts of the tax must be devoted to improvement of a regional center with permanent seating of no more than 2,000 seats. Matching funds from other public or private funding sources equal to at least 33 percent of the local tax is required. This tax has been imposed in Yakima and Cowlitz counties to finance renovation of two theaters.

HOSPITAL BENEFIT ZONE: In 2006 a new form of tax increment financing was enacted to assist in financing public improvements related to a hospital. The program allows a city or county to designate a hospital benefit zone within which the increased state and local sales taxes accruing within the boundaries of the zone may be devoted to financing the cost of public improvements undertaken within the zone. A new local sales tax is established by RCW 82.14.465 and the proceeds are credited against the state tax. The rate of the local tax may be as high as 6.5 percent. However, the state revenues going to all hospital benefit zones are limited to a maximum of $2 million annually. The local tax may be imposed starting on July 1, 2007. A hospital benefit zone has been established by the city of Gig Harbor and parts of Pierce County. Starting in 2007, data was reported within this district in order to establish the required base year receipts. The hospital benefit zone was eligible to begin receiving the local tax on July 1, 2009, but chose to wait an additional year.

LOCAL INFRASTRUCTURE FINANCING: Another tax increment financing program involving a new local sales tax was also established in 2006. Known as the Local Infrastructure Financing Tool (LIFT), the program allows cities and counties to establish a revenue development area (RDA) to encourage economic development. Public improvements within an RDA may be financed by the increased local sales and property tax revenues derived. Only one RDA may be created in a county. RCW 82.14.475 provides for a new local sales tax of up to 6.5 percent within the RDA and the receipts are credited against the state sales tax. The state's contribution is limited to matching the amount of other local funds devoted to the project and may not exceed $7.5 million for all RDA projects in the state. The local sales tax may be levied starting on July 1, 2008; the tax levied for a particular RDA is limited to a 25-year period. The entire program is scheduled to expire on June 30, 2039. Nine cities established RDAs under the program: Bellingham, Bothell, Everett, Federal Way, Liberty Lake, Vancouver, Yakima, Puyallup, and Mount Vernon; new applications are no longer being accepted. Under an amendment in 2009 these cities must estimate the applicable local tax revenues and determine the applicable local tax rate by September 1, 2009. The city of Bellingham began receiving the local tax revenues on July 1, 2009; the other eight jurisdictions will commence a year later.

ANNEXATION SERVICES: A local sales/use tax of up to 0.2 percent was authorized by RCW 82.14.415 in 2006 for certain cities to provide for municipal services related to annexation areas. The tax may be imposed only if the cost of extending municipal services exceeds the potential local revenue to be derived from the annexation area. The local tax is credited against the state sales tax, thus shifting the cost to the state general fund. The tax was originally restricted to cities in King, Pierce, or Snohomish counties, except for the city of Seattle. However, in 2009 authorization was extended to Seattle at a rate of up to 0.85 percent and to other cities at a rate of up to 0.3 percent. The Seattle tax applies to annexations initiated prior to 2015 and is limited to $5 million annually. Various population requirements apply to the annexation areas. The 2006 statute required that the annexation process must be initiated by January 1, 2010; this was extended to 2021 by the 2009 amendment. The tax is authorized to run for a maximum of ten years. Authorization for the local tax was effective on July 1, 2007, and two cities – Auburn and Renton - imposed it starting on July 1, 2008.

HEALTH SCIENCES AND SERVICES: Legislation in 2007 authorized the creation of a health sciences and services authority by any county, except King. The goal of the authority is to promote bioscience-based economic development and to advance new therapies and procedures to combat disease and promote public health. Only one such entity may be formed in the state, and it was implemented by Spokane County. RCW 82.14.480 enables the authority to levy a state-credited local sales tax of up to 0.02 percent. The local tax commenced in August 2008, and the statute allows it to continue through 2022.

LOCAL REVITALIZATION FINANCING: Similar to the 2006 LIFT program, another local sales tax-based financing mechanism was adopted in 2009. Pursuant to RCW 82.14.510 a local sales/use tax of up to 6.5 percent - excluding other state-credited local sales taxes and the portion of the state rate devoted to performance audits – may be levied by participating cities or counties. Two categories of participants are established: (1) seven demonstration projects in the cities of Pullman, University Place, Tacoma, Bremerton, Auburn, Vancouver, and Spokane; and (2) other projects on a first-come basis. The state-credited local tax is limited annually to $2.25 million for the seven demonstration projects and to $2.5 million for all other projects. No project may receive more than $500,000 per year. Jurisdictions must estimate their local receipts to determine the actual local tax rate. The tax is scheduled to commence on July 1, 2010, for the seven designated projects and on July 1, 2011, for any other qualifying projects.

Maximum Rate Limit

RCW 82.14.410, enacted in 2001, stipulates that a local sales tax rate increase implemented after December 1, 2000, must exempt sales of lodging from such local sales tax, if this tax would cause the combined tax rate on lodging to exceed 12 percent or the actual rate that existed on December 1, 2000 (e.g., 15.2 percent in Seattle). Included in the determination of such maximum tax rates are all applicable local sales taxes, the state sales tax, and the state convention center tax. The purpose is to honor the maximum limitation on lodging taxes provided in RCW 67.28.181. The current impact of this provision is to exempt lodging sales in King County which are also subject to the convention center tax (i.e., lodging facilities with 60 or more units) from the various increases in local tax rates since 2001.

Administration

Department of Revenue. Local retail sales and use tax is reported in the same manner as the state tax. However, retail vendors and persons reporting use tax must code their sales on the Combined Excise Tax Return to one or more of 334 local code areas in which the transactions take place so that the Department may return the proper amount of local tax to the appropriate jurisdictions.

By law, the Department may deduct up to 2 percent of the local collections to cover the state's cost of administration (the fee goes to the general fund, not the Department) for some of the local sales taxes, except those which are merely credited against the state sales tax. The Department has never charged the maximum amount. Since July 1997, a flat administrative fee of 1 percent has been charged to all local jurisdictions. Local sales/use taxes for which the administrative fee applies are: basic and optional tax for cities and counties, the transit tax (not the RTA tax), the King County food/beverage tax, criminal justice tax, public facilities tax, juvenile correctional facilities tax, emergency communications tax, public safety tax, and the tax for mental health/chemical dependency programs.

The law requires that new sales taxes or changes in existing rates may only take place at the start of a calendar quarter. Further, the Department of Revenue must be notified by the local jurisdiction at least 75 days prior to the intended starting date of the tax or any rate changes. This is intended to allow sufficient time to notify the affected vendors who collect the tax.

Levied by

Cities, counties, public transportation benefit areas, regional transportation authorities, regional transportation investment districts, transportation benefit districts, public facility districts, and public stadium authorities. Transit districts may be formed by cities, counties, public transportation benefit areas covering a portion of a county, county transportation authorities, or metropolitan municipal corporations.

Local sales/use tax is levied by ordinance of the legislative body of the jurisdiction. The city/county tax does not require voter approval, although imposition/increase of the optional 0.5 percent rate and imposition of the criminal justice tax are subject to referendum by the voters. Referendum petitions must be filed within seven days of adoption of the ordinance imposing or increasing the optional tax. Within the next 30 days the petitioner must gather signatures numbering at least 15 percent of the registered voters of the city or county in order to force a referendum election. Imposition or increase (up to statutory maximums) of most other local sales/use taxes must be approved by the voters of the district.

CURRENT IMPLEMENTATION OF LOCAL SALES TAXES

	Number of Levying Jurisdictions			Voter Approval
Local Sales Tax Type	City	County	District	Required
0.5% basic rate*	281	39	--	No
0.5% optional rate*	280	37	--	Subj. to referendum
0.1 - 0.9% transit tax*	4	2	21	Yes
1.0% high cap. transit	--	--	1	Yes
0.1% criminal justice*	--	32	--	Subj. to referendum
0.1% public facilities*	--	--	1	Yes
0.1% juvenile correction*	--	14	--	Yes
0.5% food/beverage tax*	--	1	--	No
0.017% baseball stadium**	--	1	--	No
0.016% football stadium**	--	1	--	Subj. to referendum
0.09% rural counties**	--	32	--	No
0.1% zoo/aquarium	--	1	--	Yes
0.033% regional centers**	--	--	22	No
0.02 0.025% reg. theater**	--	--	2	No
0.1% emerg. comm.*	--	12	--	Yes
0.5% regional transp.	--	--	--	Yes
0.4% passenger ferries	--	--	--	Yes
0.3% public safety*	--	5	--	Yes
0.2% transportation benefit*	--	--	--	Yes
0.1% mental health*	--	13	--	No
6.5% hospital benefit**	--	1	--	No
6.5% local infrastructure**	9	--	--	No
6.5% local revitalization**	7	--	--	No
0.2% annexation services**	2	--	--	No
0.02% health sciences**	--	1	--	No

*State administrative fee applies.
**Credited against the state sales tax; therefore, no additional impact for taxpayers.

Exemptions, Credits and Deferrals

Same as the state retail sales and use taxes.

Recent Distributions ($000)

Collections of all local sales and use taxes in Washington currently total $2.5 billion annually (Fiscal Year 2009). The latest fiscal year total is down by 6.9 percent from the prior year ($2.7 billion), reflecting the decline in taxable retail activity during the current recession.

Listed below are the local tax distributions by type of tax for the latest ten calendar years. Most sources reflect a decline for calendar year 2008 over the prior year due to the impact of the recession. A few local taxes continued to increase because of rate changes or new impositions of the tax by certain local jurisdictions.

Calendar Year	Cities Basic/Opt.	Counties Basic/Opt.	Transit Districts	Criminal Justice	Public Facilities
2008	$897,571	$340,027	$821,781	$117,716	$7,344
2007	916,805	345,659	820,694	125,749	8,185
2006	843,675	321,849	729,721	116,380	7,619
2005	759,925	302,334	661,750	105,085	6,969
2004	699,183	276,031	583,701	96,474	6,456
2003	664,595	264,171	551,983	91,721	6,173
2002	640,164	266,050	501,302	89,474	6,014
2001	645,921	259,850	440,819	89,378	5,957
2000	643,142	254,195	392,929	87,954	5,859
1999	596,595	240,190	362,309	78,256	5,518

Calendar Year	Juvenile Facilities	Regional Transit	King Co. Food/Drink	Baseball Stadium	Football Stadium
2008	$33,284	$251,337	$19,838	$7,839	$7,376
2007	42,506	277,424	20,720	8,575	8,064
2006	39,927	256,372	19,062	7,818	7,359
2005	35,188	235,155	17,666	7,202	6,782
2004	30,619	215,562	16,608	6,658	6,266
2003	28,857	207,274	15,584	6,423	6,052
2002	27,385	200,693	15,173	6,365	5,980
2001	25,419	210,836	15,050	6,671	6,270
2000	24,464	210,605	14,643	6,782	6,343
1999	21,860	191,707	13,531	6,156	5,758

Calendar Year	Rural Counties	Zoo/ Aquarium	Regional Centers/Theaters	Emergency Communication	Public Safety
2008	$26,216	$11,685	$19,499	$16,010	$22,396
2007	23,664	13,244	19,947	15,613	20,488
2006	20,944	12,698	18,371	13,567	18,165
2005	19,325	11,635	16,670	11,446	11,053
2004	17,804	10,545	15,209	9,044	1,737
2003	16,771	9,894	13,006	2,760	- -
2002	15,873	9,196	9,495	- -	- -
2001	15,073	7,269	3,629	- -	- -
2000	14,014	- -	- -	- -	- -
1999	7,198	- -	- -	- -	- -

Calendar Year	Mental Health/ Chem. Dependency	Annexation Services	Health Sciences
2008	$45,925	$1,523	$403
2007	15,909	- -	- -
2006	6,724	- -	- -

Distribution of Receipts

The 1 percent basic and optional city/county local sales and use tax revenues are used for general municipal or county purposes. Some jurisdictions may dedicate a portion of the receipts to a particular program. Counties receive all of the basic and optional local tax, after the state administrative fee is deducted, for transactions that occur in the unincorporated area of the county, as well as 15 percent of the tax on sales within cities. Cities receive only 85 percent of the net proceeds of transactions that occur within their boundaries. However, if a city and its county do not levy the same local tax rate, then the jurisdiction imposing the higher rate receives 100 percent of the net proceeds attributable to the rate that is in excess of the other jurisdiction's rate.

Unique distributions of local tax receipts and dedicated use of the funds for each of the local sales/use taxes were discussed earlier in this chapter. Distributions of local sales/use tax revenues are made each month. There is a lag of two months for the distribution in order for tax returns to be submitted by retail businesses and processed by the Department. For example, sales made during the month of June are reported by monthly taxpayers by July 25; the local sales tax revenues attributable to such sales are sent to the local jurisdictions in the middle of August.

The point of sale is important, because it determines the applicable local tax rate and which jurisdictions receive the local tax revenues. Generally, the point of sale and hence the local revenues are attributable to the location of the retail store where the purchase was made if the buyer takes possession of the item at the vendor's store. In the case of products which are installed (e.g. carpeting) or construction of buildings, the tax is coded to the location of the installation or construction.

For items that are shipped by the vendor to the purchaser's residence or business location, the local tax was previously coded to the location of the warehouse where the shipment originated rather than the seller's retail location where the transaction occurred or the location of the buyer. However, since Washington adopted the Streamlined Sales Tax Agreement in 2008, its practice had to be consistent with other sales tax states that followed "destination sourcing" for delivered products. Thus, the distribution of the local tax for items shipped from a warehouse to a buyer is now made according to the location of the purchaser's residence. A mitigation program is currently underway to provide compensation for local jurisdictions that suffered reduced revenues as a result of destination sourcing.

History

The local sales/use tax originated in 1970 when the Legislature authorized cities and counties to levy a rate of 0.5 percent, effective April 1, 1970. The "optional" tax of up to an additional 0.5 percent was authorized in 1982, partly to provide compensation for cities and counties for the loss in tax revenues from business inventories which became exempt from personal property tax for taxes payable in 1984.

In 1971, the Legislature established the transit tax which was initially authorized for only metropolitan municipal corporations in Class AA counties (King) at a maximum rate of 0.3 percent. King County Metro implemented the tax, effective January 1, 1973. Starting in 1974, the transit tax could be levied by any county and in 1975 by other types of transit districts (e.g., PTBAs and cities). Also, lower rates of 0.1 and 0.2 percent were permitted in 1975. In 1980, the maximum rate was increased to 0.6 percent for King County and in 1984 other counties or transit districts could also levy up to 0.6 percent.

In 1990 the 1 percent tax for high capacity transportation systems and the 0.1 percent tax for criminal justice programs were adopted. Initially, the criminal justice tax was limited to six counties and had to be approved by the local voters. In 1993 it was broadened to any county and, instead of prior voter approval, the proposition merely had to be subject to potential referendum by the electorate. In 1991 the 0.1 percent public facilities tax was established. Initially, it was limited to public facilities districts in Spokane County, but in 1995 the authority was expanded to any county.

The 0.017 percent local tax and the 0.5 percent King County food and beverage tax for financing of a baseball stadium in King County and the 0.1 percent tax for correctional facilities were authorized in 1995. The 0.016 percent tax for a professional football stadium and the original 0.04 percent local taxes for rural public facilities were established in 1997.

In 1999 two new local taxes were authorized: the 0.1 percent tax in Pierce County for zoos and the 0.033 percent state-credited tax for regional centers constructed and operated by public facilities districts. The maximum transit tax rate was increased from 0.6 to 0.9 percent in 2000. Next, two new local sales taxes were authorized in 2002: the 0.1 percent county tax for emergency communications and the 0.5 percent (lowered to 0.1 percent in 2006) regional transportation tax. In 2003 the 0.4 percent tax for passenger-only ferry services and the 0.3 percent tax for public safety programs were authorized.

A new program involving the use of local sales tax revenues was initiated in 2002. An amendment to RCW 35.81.100 allowed any increase in local sales tax receipts which can be attributed to investment in a community renewal project undertaken by a city to be dedicated to retirement of the bonds which financed the investment.

In 2005 two new types of local sales taxes were established: the 0.2 percent tax for transportation benefit districts and the 0.1 percent tax for mental health or chemical dependency services. The five newest state-credited local taxes were authorized as follows: for hospital benefit zones (2006), for local infrastructure financing (2006), and for municipal services in annexation areas (2006), for health sciences (2007) and for local revitalization financing (2009).

Discussion/Major Issues

The local sales/use tax has become a major revenue source for cities, counties, and transportation districts. Total local sales/use taxes for all jurisdictions - $2.5 billion - are second in magnitude only to local property tax levies ($6.8 billion) as a revenue source for local governments. For cities, the amount of sales tax nearly equals their property tax receipts. Regular and special property tax levies due in 2008 for all cities equaled $1,092 million, whereas city receipts of the general local sales tax and the city share of the criminal justice, public safety, and annexation local taxes amounted to $975 million in the same period. For county government the property tax still far outweighs the local sales tax in importance -$1,437 million in property tax levies versus $580 million in local sales taxes.

Most of the advantages and disadvantages of the state tax apply equally to the local sales and use tax. Also, the necessity to code transactions for purposes of the local tax greatly complicates reporting of the tax, especially for retailers who operate in many locations and particularly those located in other states that are not familiar with Washington jurisdictions.

The local sales/use tax is often criticized for the lack of uniformity in revenues among jurisdictions. Because population and retail activity are not distributed throughout the state in the same manner, there can be large variations in local tax receipts among jurisdictions. Statewide average per capita receipts from the basic 0.5 percent tax (which is levied in all jurisdictions) in calendar year 2008 amounted to $25.96 for counties and $110.86 for cities. The county per capita receipts ranged from $100.38 in San Juan to $15.51 in Garfield. The range was even more disparate for cities; the highest per capita receipts were in Tukwila ($514.43) and the lowest were in Marcus in Stevens County ($3.74).

The top five cities in per capita local sales tax receipts for 2008 were: Tukwila, $514.43; Burlington, $407.78; Fife, $406.40; Quincy, $356.23; and Gig Harbor, $353.36. The city of Tukwila has often been the leader in per capita local sales tax receipts, because of the large shopping mall within its boundaries and because its population is relatively low. In 2008 its receipts were more than $100 per capita above the second ranking city; this is likely a result of the construction activity associated with the light-rail transportation system, several miles of which are within the city boundaries. Quincy, located in Grant County, presents an interesting increase in local sales tax receipts. Two years ago, its per capita receipts were only $42.82; the next year the figure soared to $397.77 and in 2008 it continues to be very high. This is likely attributable to construction of call centers and related facilities by computer software companies and related development in the area.

Two adjacent cities in Lewis County illustrate how the location of retail activity can affect the local sales tax receipts. Centralia, even with a series of outlet mall shops, recorded per capita receipts from the basic 0.5 percent tax of only $89.91, well below the statewide average of $110.86. In contrast, Chehalis, with a population of less than one-half of Centralia's, had local sales tax receipts more than three times its neighbor at $278.98 – among the highest in the state.

Because of variations such as these, in 1982 the Legislature established an equalization program to help mitigate the adverse impact of the sales tax for cities and counties with very low per capita receipts. Using state motor vehicle excise tax funds, a distribution was made to those cities and counties with low per capita receipts from their local sales/use tax. The local sales tax equalization programs were funded by motor vehicle excise tax revenues. With the repeal of this tax in 2000, funding for local sales tax equalization disappeared. Thus, the equalization program was effectively curtailed in 2000.

A similar equalization program for transit districts was established in 1994; this program distributed additional funds to transit districts with low per capita sales and use tax receipts. Like the city/county equalization program, the transit district equalization has also ended as a result of the disappearance of motor vehicle excise tax funds.

However, legislation in 2005 did reinstitute a form of local assistance by earmarking 1.6 percent of state real estate excise tax receipts to a new city/county assistance fund to primarily benefit jurisdictions with low per capita assessed property values and local sales tax receipts.