ORDINANCE NO. 3947

AN ORDINANCE of the City Council of the City of Kent, Washington, adopting a new Chapter 3.27 of the Kent City Code, entitled "Annexation Sales and Use Tax," to impose a new sales and use tax relating to annexations, as authorized by RCW 82.14.415 as a credit against the state tax.

RECITALS

A. In accordance with Chapter 35A.14 RCW, on September 2, 2008, and June 16, 2009, the Kent City Council passed its Resolution Numbers 1794 and 1809 respectively, calling for an election to be held in connection with the general election on November 3, 2009, at which election the question of annexation was presented to the voters of the Panther Lake Annexation Area.

B. The annexation was put to a vote of the people in the Panther Lake Annexation area on November 3, 2009. The King County Records, Elections and Licensing Services Division, on November 24, 2009, certified that the annexation had been approved by Panther Lake Annexation Area voters.

C. Following a favorable vote on the annexation proposition, the Kent City Council adopted its Ordinance No. 3936 on December 8, 2009, annexing the Panther Lake Annexation Area, an annexation area that has a

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population area greater than twenty thousand people. Therefore, the Kent City Council finds and determines that the projected cost to provide municipal services to the annexation area is $11,123,095. This amount exceeds the projected $7,250,417 in general revenue that the City would otherwise receive from the annexation area on an annual basis.

D. Pursuant to RCW 82.14.415, the City of Kent is authorized, under the circumstances of this annexation, to impose a sales and use tax, with that tax being a credit against the state tax. Because it is a credit against the state tax, passage of this ordinance will not increase actual sales and use tax paid within an annexation area. Rather, this is a tax redistribution, shifting some tax revenue that would otherwise remain with the state back to the City of Kent for the City's use in an annexation area.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

ORDINANCE

SECTION 1. - Findings. The Kent City Council adopts the foregoing recitals as its findings as if each was set forth herein.

SECTION 2. - Adopt Chapter 3.27 KCC. Title 3 of the Kent City Code is amended to add a new Chapter 3.27, entitled "Annexation Sales and Use Tax," as follows:

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Sales and Use Tax Incentive For Panther Lake Annexation
SUBTITLE II. TAXATION
CHAPTER 3.27
ANNEXATION SALES AND USE TAX

Sec. 3.27.010. Imposition of tax.
A. There is imposed a sales or use tax, as authorized by RCW 82.14.415, which tax shall be collected from those persons who are taxable by the state under Chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event within the City.

B. The rate of tax imposed under this Chapter shall be 0.2 percent, and shall be in addition to other taxes authorized by law.

Sec. 3.27.020. Definitions. The following words, terms, and phrases, when used in this chapter, shall have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

A. “Annexation area” means the Panther Lake Annexation Area, and all other areas annexed to Kent after the effective date of this ordinance that meet the requirements of RCW 82.14.415. The Panther Lake Annexation Area includes all territory described in City of Kent Ordinance No. 3936, which annexed an unincorporated area of King County, Washington, of approximately 3,347 acres contiguous to the corporate limits of the City of Kent, effective July 1, 2010.

B. “Municipal services” means those services customarily provided to the public by city government.

C. “Fiscal year” means the year beginning July 1st and ending the following June 30th.
D. "Threshold amount" means the maximum amount of tax distributions as determined by the City in accordance with KCC 3.27.080 that the Washington State Department of Revenue shall distribute to the City generated from the tax imposed under this Chapter in a fiscal year.

Sec. 3.27.030. Credit against state tax. The tax authorized under this section shall be a credit against the state tax under chapter 82.08 or 82.12 RCW. The Washington State Department of Revenue shall perform the collection of these taxes on behalf of the City, at no cost to the City, and shall remit the tax to the City as provided in RCW 82.14.060 and 82.14.415.

Sec. 3.27.040. Term of tax.
A. The tax imposed by this Chapter shall only be imposed at the beginning of the State of Washington’s fiscal year and shall continue for no more than ten (10) years from the date the tax is first imposed. Tax rate increases due to additional annexed areas shall be effective on July 1st of the fiscal year following the fiscal year in which the annexation occurred, provided that notice is given to the Washington State Department of Revenue as set forth in KCC 3.27.070.

B. The tax shall also cease to be distributed to the City for the remainder of the fiscal year once the threshold amount, as set forth pursuant to KCC 3.27.070, has been reached. Distributions of tax under this Chapter shall begin again on July 1st of the next fiscal year and continue until the new threshold amount has been reached or June 30th, whichever is sooner. Any revenue generated by the tax in excess of the threshold amount shall belong to the State of Washington.

Sec. 3.27.050. Use of tax revenue. All revenue collected under this chapter shall be used solely to provide, maintain, and operate
municipal services for the annexation area defined by the City for the sales and use tax credit.

**Sec. 3.27.060. Limitation of revenues.** The revenues from the tax authorized in this chapter may not exceed the difference between the City’s estimated cost to provide, maintain, and operate municipal services for the annexation area and the general revenues that the City would typically expect to receive from the annexation area during a year. If the revenues from the tax authorized in this chapter and the revenues from the annexation area exceed the costs to provide, maintain, and operate municipal services for the annexation area during a given year, the City shall notify the state Department of Revenue and the tax distributions authorized in this section shall be suspended for the remainder of the year.

**Sec. 3.27.070. Thresholds.**

A. The threshold amount for the first fiscal year following the annexation and adoption of the tax authorized by this Chapter is as follows: Three Million, Eight Hundred and Seventy-Two Thousand, Six Hundred Seventy-Eight Dollars ($3,872,678).

B. The City Finance Director shall forward to the Washington State Department of Revenue the threshold amount for the first fiscal year following the annexation and adoption of the tax.

C. No later than March 1st of each year, the Finance Director shall provide the Washington State Department of Revenue with a new threshold amount for the next fiscal year, and notice of any applicable tax rate changes.

**SECTION 3.** - **Severability.** If any one or more section, subsections, or sentences of this ordinance are held to be unconstitutional...
or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.

SECTION 4. - Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering.

SECTION 5. - Effective Date. This ordinance shall take effect and be in force five (5) days from and after its publication as provided by law.

SUZETTE COOKE, MAYOR

BRENDA JACOBER, CITY CLERK

TOM BRUBAKER, CITY ATTORNEY
I hereby certify that this is a true copy of Ordinance No. 3947 passed by the City Council of the City of Kent, Washington, and approved by the Mayor of the City of Kent as hereon indicated.

BRENDA JACOBER
CITY CLERK

Sales and Use Tax Incentive
For Panther Lake Annexation