

# A Revenue Guide for Washington Counties



# **A Revenue Guide** **for Washington Counties**

***Municipal Research & Services Center  
of Washington***

2601 Fourth Avenue, Suite 800  
Seattle, WA 98121-1280  
(206) 625-1300

**mrsc@mrsc.org • www.mrsc.org**



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# Introduction

*A Revenue Guide for Washington Counties* is intended primarily to assist county administrators and policymakers in understanding the array of revenue sources available for the various programs and services they provide. It is not a comprehensive listing of all the revenues available, but rather an attempt to describe and explain the more important sources. We hope others with a more general interest in county government will also find the information useful. County government has been described as a "dark continent" because so few citizens understand its complex of roles and services. This document can bring some light to the revenue side of the ledger.

The primary author of this guide was Tom Sutberry. It was written while he was the Public Policy and Finance Consultant at MRSC. Our thanks to the Clark County Auditor's Office for letting us use some of their formatting style from the *Clark County Revenue Manual* as well as, in certain sections, some of their text. It was revised and edited by other consultants on MRSC's staff. Holly Martin, our Desktop Publishing Specialist, designed and produced the document. Special thanks to Nicole Stiver of the MRSC Library staff for creating the cover drawing of the Columbia County Courthouse.

A handwritten signature in cursive script, reading "R. Yukubousky".

Richard Yukubousky, Executive Director  
Municipal Research & Services Center of Washington

# Contents

|  |   |
|--|---|
| <b>Overview of County Revenues</b> ..... | 1 |
|--|---|

## **Taxes**

|   |    |
|---|----|
| <b>Property Taxes</b> .....                         | 5  |
| Description .....                                   | 5  |
| Overview .....                                      | 5  |
| Statutory Authorization .....                       | 10 |
| Methodology for Calculating Revenue .....           | 11 |
| Administration .....                                | 12 |
| <b>Sales and Use Tax</b> .....                      | 14 |
| Description .....                                   | 14 |
| Statutory Authorization .....                       | 14 |
| Administration .....                                | 17 |
| <b>Real Estate Excise Tax</b> .....                 | 18 |
| Description .....                                   | 18 |
| Statutory Authorization .....                       | 18 |
| Administration .....                                | 19 |
| <b>Lodging (Hotel-Motel) Tax</b> .....              | 20 |
| Description .....                                   | 20 |
| Statutory Authorization .....                       | 20 |
| Administration .....                                | 22 |
| <b>Timber Excise Tax</b> .....                      | 23 |
| Description .....                                   | 23 |
| Statutory Authorization .....                       | 23 |
| Administration .....                                | 23 |
| <b>Other Taxes</b> .....                            | 25 |
| Leasehold Excise Tax .....                          | 25 |
| Enhanced 911 Telephone Access Line Excise Tax ..... | 25 |
| Gambling Excise Tax .....                           | 25 |
| Commercial Parking Tax .....                        | 26 |
| Admission Tax .....                                 | 27 |
| Local Option Motor Vehicle Fuel Tax .....           | 28 |

## **Intergovernmental Revenues**

|  |    |
|--|----|
| <b>Motor Vehicle Fuel and Special Fuel Tax</b> ..... | 31 |
| Description .....                                    | 31 |
| Statutory Authorization .....                        | 31 |
| Methodology for Calculating Revenue .....            | 31 |
| Administration .....                                 | 32 |
| <b>State Forest Board Timber Revenue</b> .....       | 33 |
| Description .....                                    | 33 |
| Statutory Authorization .....                        | 33 |
| Methodology for Calculating Revenue .....            | 33 |
| Administration .....                                 | 34 |
| <b>PUD Privilege Tax</b> .....                       | 35 |
| Description .....                                    | 35 |
| Statutory Authorization .....                        | 35 |

|  |           |
|--|-----------|
| Methodology for Calculating Revenue . . . . .                  | 35        |
| Administration . . . . .                                       | 35        |
| <b>Liquor Board Profits . . . . .</b>                          | <b>36</b> |
| Description . . . . .  | 36        |
| Methodology for Calculating Revenue . . . . .                  | 36        |
| Statutory Authorization . . . . .                              | 36        |
| Administration . . . . .                                       | 36        |
| <b>Liquor Excise Tax . . . . .</b>                             | <b>37</b> |
| Description . . . . .  | 37        |
| Methodology for Calculating Revenue . . . . .                  | 37        |
| Statutory Authorization . . . . .                              | 37        |
| Administration . . . . .                                       | 37        |
| <b>Criminal Justice Assistance . . . . .</b>                   | <b>38</b> |
| Description . . . . .  | 38        |
| Methodology for Calculating Revenue . . . . .                  | 38        |
| Statutory Authorization . . . . .                              | 38        |
| Administration . . . . .                                       | 39        |
| <b>Vessel Registration Fees . . . . .</b>                      | <b>39</b> |
| Description . . . . .  | 39        |
| Statutory Authorization . . . . .                              | 39        |
| Administration . . . . .                                       | 39        |
| <b>Child Support Reimbursement . . . . .</b>                   | <b>40</b> |
| Description . . . . .  | 40        |
| Statutory Authorization . . . . .                              | 40        |
| Administration . . . . .                                       | 40        |
| <b>Death Investigation (Autopsies) Reimbursement . . . . .</b> | <b>40</b> |
| Description . . . . .  | 40        |
| Statutory Authorization . . . . .                              | 40        |
| Administration . . . . .                                       | 40        |
| <b>Auditor's Centennial Document Preservation . . . . .</b>    | <b>41</b> |
| Description . . . . .  | 41        |
| Statutory Authorization . . . . .                              | 41        |
| Administration . . . . .                                       | 41        |
| <b>Juvenile Lunch Reimbursement . . . . .</b>                  | <b>41</b> |
| Description . . . . .  | 41        |
| Statutory Authorization . . . . .                              | 41        |
| Administration . . . . .                                       | 41        |
| <b>Federal Payment-In-Lieu of Taxes (PILT) . . . . .</b>       | <b>42</b> |
| Description . . . . .  | 42        |
| Statutory Authorization . . . . .                              | 42        |
| Administration . . . . .                                       | 42        |
| <b>Federal Forest Yield Revenue . . . . .</b>                  | <b>42</b> |
| Description . . . . .  | 42        |
| Statutory Authorization . . . . .                              | 43        |
| Administration . . . . .                                       | 43        |
| <b>Parimutuel Tax . . . . .</b>                                | <b>43</b> |
| Description . . . . .  | 43        |
| Statutory Authorization . . . . .                              | 43        |
| Administration . . . . .                                       | 43        |
| <b>Other Intergovernmental Revenues . . . . .</b>              | <b>44</b> |
| Roads . . . . .  | 44        |
| Health and Human Services . . . . .                            | 44        |

## Permits, Fees, Charges, Fines, and Forfeitures

|  |    |
|--|----|
| <b>Auditor's Office Permits and Fees</b> .....           | 47 |
| Description .....  | 47 |
| Statutory Authorization .....                            | 47 |
| <b>Cable TV Franchise Fees</b> .....                     | 48 |
| Description .....  | 48 |
| Statutory Authorization .....                            | 48 |
| <b>Community Development Permits and Fees</b> .....      | 49 |
| Description .....  | 49 |
| Statutory Authorization .....                            | 49 |
| <b>Impact Fees</b> .....                                 | 49 |
| Description .....  | 49 |
| Statutory Authorization .....                            | 49 |
| <b>District Court Fines, Forfeitures, and Fees</b> ..... | 50 |
| Description .....  | 50 |
| Statutory Authorization .....                            | 50 |
| <b>Sheriff and Jail</b> .....                            | 51 |
| Description .....  | 51 |
| Statutory Authorization .....                            | 51 |
| Methodology for Calculating Revenue .....                | 52 |
| <b>Corrections and Alternatives Fees</b> .....           | 53 |
| Description .....  | 53 |
| Statutory Authorization .....                            | 53 |
| <b>Other Permits and Fees</b> .....                      | 54 |
| County Clerk's Fees – Superior Court .....               | 54 |
| Juvenile Fees .....                                      | 54 |
| Coroner's Fees .....                                     | 54 |
| Parks and Recreation Fees .....                          | 54 |
| Fees in "Special Cases" .....                            | 55 |
| Treasurer's Fees .....                                   | 55 |
| <b>Investment Interest</b> .....                         | 55 |
| Description .....  | 55 |

## Overview of County Revenues

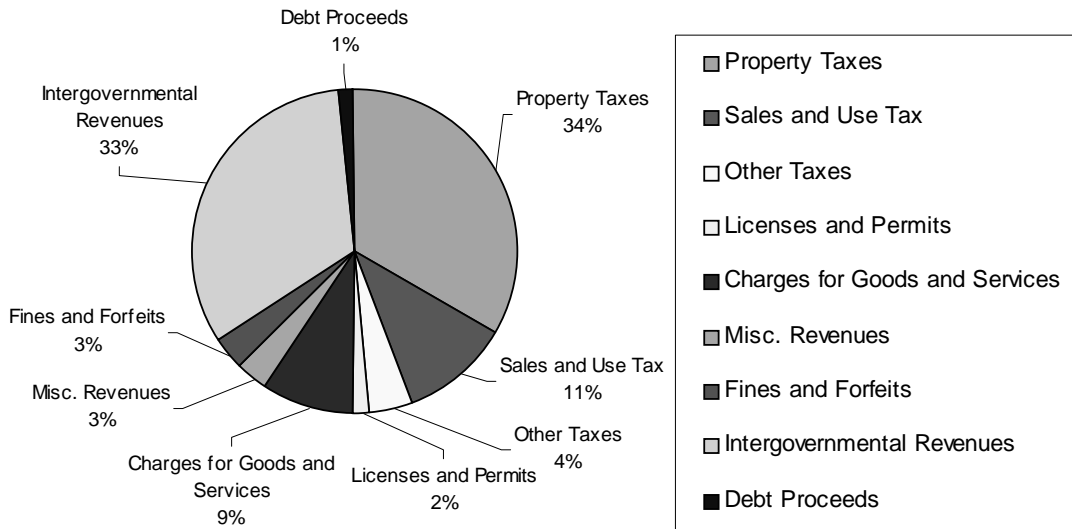
Washington counties are unique governmental organizations with responsibilities for many types of services for their citizens. They function in three basic roles. First, they act as **agents of the state** in providing many services, such as those of or concerning the prosecuting attorney, public defender, superior court, juvenile court, elections, property tax administration and collection, etc. Second, they provide strictly **local governmental services** in the unincorporated areas such as sheriff's patrols, developing and maintaining county roads and bridges, providing parks and recreation services, etc. Lastly, they act as **regional governments** when providing Medic I emergency medical care services, central dispatch services for police and fire, public health services, senior services, veterans assistance, emergency management services, and solid waste stream management.

Given the complexity of the mix of services provided, it follows that the revenue sources that fund those services would also be difficult to understand and/or master. This document serves to identify many of the important revenue sources and their legal authority and purpose.

The following chart identifies the statewide county revenues for the general fund (also called the current expense fund) and special revenue funds for 1999. The data on which the graph is based comes from the Local Government Finance Project of the state auditor's office – 1999 is the most recent year for which this data is available.

### 1999 County Revenue Sources

General and Special Revenue Funds



As the chart indicates, the property tax is the single largest source of operating revenues for Washington's counties, representing about 32 percent of general and special revenue fund county revenues. This tax is the main source of revenue for both the general (current expense) fund and the road fund. The productivity of the tax varies, in part, because of differences in the underlying

assessed valuation. This disparity is confirmed by the fact that in 2000 the top three counties (King, Pierce, and Snohomish) levied more property tax revenue than the other thirty-six combined.

Sales and use taxes are often the second largest source of tax revenues for a county general fund. However, there are also vast differences in the sales and use tax productivity, depending on such factors as whether the county is largely urban or rural and whether tourism is an important industry. In 2000, sales taxes collected per capita ranged from \$25 in Pend Oreille County to \$219 in San Juan County and in King County. King, Pierce, and Spokane counties raised almost as much sales tax revenue as all the other counties combined. Before the voters' approval of Initiative 695, the state-shared motor vehicle excise tax was used for a sales tax equalization program that no longer is available to those counties at the lower end of the sales tax collection spectrum.

In reviewing each of the revenue sources available to county government, one is struck by the extent to which revenues are restricted, both in revenue-generating potential and in allowable uses. Later in this publication, the reader will find that most all the county revenue sources identified are restricted as to use, or are tied to a specific service or program and limited as to the rate that may be applied. This confirms that although counties are mandated to serve their citizens as local governments, regional governments, and agents of the state, they remain severely constrained by state law as to their revenue-raising abilities, beholden to the state for any potential relief.

Significantly, the state's citizens continue to attempt to limit property tax growth potential through initiatives. The property tax has been the stalwart in unrestricted tax revenue growth for most counties. It has given counties revenue stability when other taxes and fees have dropped in response to a slowing economy. The state's Growth Management Act will inexorably restrict sales tax revenues for counties as new development is directed toward urban, incorporated areas and the resulting sales tax revenues accrue to cities.

Continually expanding state and federal mandates interacting with the omnipresent restrictions in county revenues will likely lead to financial difficulties in a number of counties, especially those primarily rural in character. It is hoped that an effort eventually will be made by state policymakers to ease some of the restrictions on the revenue side or to cut back mandates on the expenditure side before that point is reached.

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# Taxes

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## Property Taxes

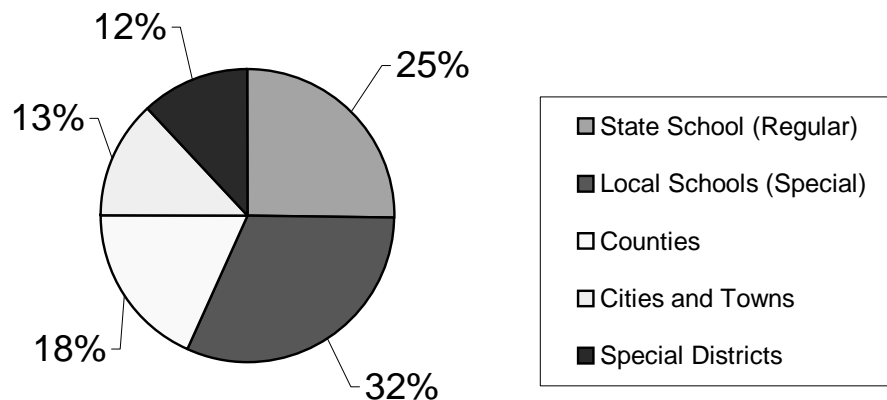
### ●Description

The property tax in Washington is primarily used to fund K-12 schools. It is also the thirty-nine counties' greatest single source of revenue. In 2000, the counties levied over \$972 million in property taxes, which represented 32 percent of total revenue in their general funds and special revenue funds. Counties administer and collect the property tax but retain for general and road fund purposes only about 18 percent of the taxes they collect.

The state regular levy for school support receives about 25 percent of total collections, and local special levies for school support receive about 32 percent. Cities and towns receive about 13 percent of the total collections, and the remaining 12 percent is divided among special districts.

### ●Overview

#### 2000 Property Tax Levies



**What is a property tax?** The *ad valorem* property tax is a tax on the value of real and personal property within the county. Real property includes land, buildings, structures, etc., and personal property includes machinery, equipment, furniture, and fixtures used by businesses. Some property is exempt including all government property, church property and that of certain other nonprofit organizations, timber, public cemeteries, inventories, licensed vehicles and vessels, stocks, bonds, currency, public leaseholds, intangible business property, and personal household goods.

**How is the property tax figured?** The property tax due equals the assessed value (AV), divided by 1000, times the levy rate. The tax or levy is determined by the taxing district requirements and by legal limitations on rates and growth. The assessed value is determined by the county assessor and by the state. The levy rate is the by-product of the tax requirements of the district(s)

and the assessed value. For example, if the road fund "needs" \$1 million in property taxes to operate in the coming year and the total assessed value of the district is \$500 million, then the levy rate necessary to produce the revenue is \$2 per thousand dollars assessed value.  $\$1,000,000 = \$2.00 \times (\$500,000,000/1000)$ .

**Levy Rate Limits on Property Tax.** The maximum regular property tax levy rate a county may impose on real and personal property is \$1.80 per thousand dollars AV for its current expense or general fund and \$2.25 per thousand dollars AV for its road fund. However, a county can raise its general fund levy rate up to \$2.475 per thousand dollars AV, provided the total of the levy rates for the general fund and road fund do not exceed \$4.05 per thousand dollars AV **and** the increase in the general fund levy does **not** result in a reduction in the levy of any other taxing district through prorationing. Prorationing is discussed on page xx below.

The aggregate regular levy rates of senior taxing districts (counties and cities) and junior taxing districts (fire districts, cemetery districts, library districts, etc.) may not exceed \$5.90 per thousand dollars AV. If this limit is exceeded, the levy of at least one junior taxing district must be prorationed. Some property tax levies not subject to this limit include state levies, levies for public utility districts, excess property tax levies, special levies for local school districts, levies for acquiring conservation futures, emergency medical service levies, low income housing levies, and some metropolitan park district levies. *RCW 84.52.043*.

**One-Percent Constitutional Property Tax Limit.** In addition to the other levy rate limits, both statutory law and the state constitution limit regular property tax levies (including the state levy) to 1 percent of the true and fair value of the property. This limit does not apply to port or public utility districts. The limit may be exceeded when 60 percent of the voters approve excess or special levies for operations and maintenance or for the payment of debt service on general obligation bonds. Both kinds of levies have voter turnout requirements. *Washington State Constitution, Art. 7, Sec. 2; RCW 84.52.050; RCW 84.52.052; RCW 84.52.056*.

**Levy Growth Limits.** *Note that the levy limits described below are those in effect at the time this publication goes to press. An outstanding issue is the Washington State Supreme Court's decision on the constitutionality of Initiative 722.*

***Initiative 722 was passed by the voters in November 2000 and some of its provisions, if found to be constitutional, would establish different levy limits. The Thurston County Superior Court found Initiative 722 to be unconstitutional on February 23, 2001, but this decision has been appealed. The changes to the levy limits that would occur if Initiative 722 is found constitutional are spelled out in the shaded box below.***

In November 1997, voters in the state passed Referendum 47. This law limited the property tax levy for the coming year to be the highest regular property tax levy for the last three years multiplied by a "limit factor," plus any additional taxes attributable to new construction and changes in the value of state-assessed utilities. *RCW 84.55.010*

For taxing jurisdictions with a population under 10,000, the limit factor is 106 percent. For jurisdictions with a population of 10,000 and over, the limit factor is 100 percent plus the lesser of 6 percent or inflation. "Inflation" is defined as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the twelve-month period ending in July as

published by the Bureau of Economic Analysis in the September issue of the *Survey of Current Business*. RCW 84.55.005.

Jurisdictions with a population of 10,000 or more may levy an amount up to 106 percent of the previous levy, if the legislative authority of a taxing district makes a finding of "substantial need" by a supermajority vote in a separate resolution or ordinance. RCW 84.55.0101. This supermajority requirement does not affect most counties in Washington, since a three-member commission governs them and a majority and supermajority vote are the same, two out of three. Only in King, Snohomish, Whatcom, and Pierce Counties does the supermajority vote differ from the majority vote, since they have governing bodies (councils) with more than three members. According to a 1998 Department of Revenue interpretation, a jurisdiction with a population of 10,000 or more can "bank" levy capacity for future use by passing an ordinance or resolution with a supermajority vote and declaring a "substantial need" of up to 6 percent and then actually levying an increase of a lesser amount. *October 9, 1998 Memo from Sandra G. Guilfoil, Assistant Director, Property Tax Division, DOR, to "All Interested Parties."* If jurisdictions with a population less than 10,000 choose to increase their levy by an amount less than 6 percent, the difference is banked automatically. RCW 84.55.092.

Changes to levy limits if Initiative 722 is found to be constitutional.

- For taxing jurisdictions with a population under 10,000, the limit factor is 102 percent.
- For jurisdictions with a population of 10,000 or over, the limit factor is 100 percent plus the lesser of 2 percent or inflation as measured by the implicit price deflator.
- If inflation is less than 2 percent, jurisdictions with a population of 10,000 or more may levy an amount up to 2 percent with a finding of substantial need by a supermajority of the legislative body.
- RCW 84.52.092, the statute that allows banking of unused levy capacity, is repealed.

**Also on the horizon is Initiative 747, which may obtain sufficient signatures to be on the November 2001 ballot. This initiative would limit property tax increases to 1 percent in taxing districts of less than 10,000 population, and to the lesser of 1 percent or the rate of inflation in other taxing districts. Upon a finding of substantial need by a supermajority of the legislative body, these other taxing districts, except the state, may increase property taxes 1 percent. Under this initiative, the voters of any taxing district, except the state, may approve an increase of greater than 1 percent.**

**Excess Levies for General Government Purposes – Levy Lid Lift.** Counties that are levying property taxes at a rate lower than the statutory maximum can ask the voters to lift the levy lid by more than 6 percent. A simple majority vote is required. For example, assume that a county's

current rate for the general fund is \$1.50 per thousand dollars AV and that the rate next year, with a finding of substantial need, would be \$1.60. (In this example, we are assuming the county has a population of 10,000 or more.) The legislative body can place a proposition before the voters to raise the levy rate up to \$1.80, the statutory limit. The proposition can limit the period of time for which the levy is made, but it need not do so, although the maximum length of the levy is nine years if the funds will be used to retire debt. And, it can limit the purpose for which the funds will be spent, but this is not a requirement. Of course, voters may be more likely to vote affirmatively if the period of time is limited and the purpose stated. *RCW 84.55.050*

**Excess Levies for General Government Purposes – One-Year Levy.** Subject to other rate limits, even jurisdictions that are currently levying their statutory maximum rate can ask the voters to raise the rate for one year. Many cities and counties refer to this levy as an "O & M" (operations and maintenance) levy. There are two different scenarios for voter approval. If at least 60 percent of the voters vote "yes" with a voter turnout of more than 40 percent of the number of people voting in the last general election, the measure is passed. However, if the voter turnout is 40 percent or less of the number voting in the last general election, all is not lost. In that case, as long as the number of "yes" votes is equal to at least 60 percent times 40 percent of the number of people voting in the last general election, the measure will pass. If, for example, 1,000 people voted in the last general election, as long as at least 240 ( $1,000 \times .4 = 400$ ;  $400 \times .6 = 240$ ) people vote "yes" on the O & M levy, it will pass even if the number voting is less than 400 (40 percent of those voting in the last general election).

As with the levy lid lift, the purpose for which the money will be used does not need to be specified. However, it is not fiscally prudent to build an annual budget that assumes that the voters will renew the levy authority each year. A good use of these funds would be for a one-time expenditure. *RCW 84.52.052*.

**Prorationing.** The tax rate applied to a given property is the sum of the levy rates imposed by all the taxing districts within which the property lies. The total tax rate to any given property by overlapping taxing districts is controlled by the previously mentioned \$5.90 limit and the 1 percent constitutional limit. Should either of these limits be exceeded, the levies involved would be reduced according to a statutory formula. This reduction process is known as prorationing.

The county current expense levy, the county road fund levy, basic city levies, and the state school levy are all protected from prorationing. Which levies are lowered in prorationing, how much, and in what order depends upon whether the \$5.90 limit or the 1 percent limit has been exceeded.

If the \$5.90 limit has been exceeded, levies are reduced or eliminated in the following order until the total tax rate is at \$5.90. Note that within each grouping, the levy rates of the districts are reduced on a **pro rata** basis. *RCW 84.52.010(2)*.

1. Parks & Recreation Districts - *RCW 36.68.525* (up to \$0.60);  
Parks & Recreation Service Areas - *RCW 36.69.145* (up to \$0.60);  
Cultural Arts, Stadiums & Convention Districts - *RCW 67.38.130* (up to \$0.25).
2. Flood Control Zone Districts - *RCW 86.15.160* (up to \$0.50).
3. Hospital Districts - *RCW 70.44.060* (up to \$0.25);  
All other districts not otherwise mentioned.
4. Fire Districts - *RCW 52.16.140* (up to \$0.50).  
Fire Districts - *RCW 52.16.160* (up to \$0.50).

5. Fire Districts - RCW 52.16.130 (remaining \$0.50);  
Library Districts - RCW 27.12.150 (up to \$0.50);  
Hospital Districts - RCW 70.44.060 (up to \$0.50);  
Metropolitan Parks Districts (up to \$0.50).

If levies are reduced to conform to the \$5.90 limit, and the total tax levy still exceeds 1 percent of fair market value, then reductions in other levies, which fall outside the \$5.90 limit are made in the following order, up to the amounts in parentheses.

1. Metropolitan Parks Districts – RCW 35.61.210 and RCW 84.52.120 (up to \$0.25)
2. Conservation Futures - RCW 84.34.230 (up to \$0.0625)  
Affordable Housing - RCW 84.52.105 (up to \$0.50)  
Emergency Medical Services (up to \$0.20)
3. Emergency Medical Services (up to \$0.30)

**Delinquency.** Taxes not paid by the dates established by statute are subject to penalties and interest. The collection of interest and penalties on delinquent taxes is credited to the county current expense fund (general fund), while the tax itself goes to the appropriate districts. Costs for foreclosure and sale of property and the fees and costs of the sale for the collection of delinquent taxes are credited to the operation and maintenance fund of the county treasurer to defray the cost of future foreclosures. *RCW 84.56.020.*

**Senior Citizen Exemptions.** The state constitution provides that the state legislature has the power to grant to retired persons relief from the property tax on the real property on which they live. This exemption may be restricted, as the legislature deems proper. The legislature has established an exemption based upon a person's age and yearly income. *Washington State Constitution, Art. 7, Sec. 10; RCW 84.36.381.*

**Senior Citizen Deferral of Property Taxes.** If a property owner is at least 60 years old and retired from regular gainful employment, that owner may qualify to defer payment of special assessments and/or real property taxes up to 80 percent of the amount of equity in the property. Other conditions apply for eligibility. *RCW 84.38.030.*

**Expenditure of Road Fund Property Taxes on Non-Road Purposes.** There are two methods by which a county can expend road fund revenues on non-road construction and maintenance services.

The first is to divert funds from the road levy to the current expense fund to cover traffic enforcement costs.

The second allows taxes collected for the road fund levy **that are not yet allocated to the road fund** to be expended for "any service to be provided in the unincorporated area of the county," rather than strictly for road purposes. *RCW 36.33.220.* If a county with a population of 8,000 or more expends funds for non-road uses (excluding traffic enforcement), the county is then no longer eligible to receive state funds from the Rural Arterial Trust Account (RATA). However, if voters approve a diversion of funds away from the road fund, the county would still be eligible for RATA funds. *RCW 36.79.140.*

## ● Statutory Authorization

**General (Current Expense) Fund Levy.** A county legislative authority must annually levy an *ad valorem* property tax for the purpose of funding the general purposes of county government, not to exceed limits established by law. *RCW 36.40.090*

**Road Fund Levy.** A county legislative authority must annually levy an *ad valorem* property tax for the purpose of building or maintaining county transportation systems. *RCW 36.82.040*.

**Veterans' Assistance Fund Levy.** A county legislative authority must impose a property tax not less than 1.125 cents and not greater than 27 cents per thousand dollars AV in the county for the purposes of creating a veterans' assistance fund. The amount of the general fund levy allocated to this purpose may be reduced in the same proportion as the regular property tax levy of the county is reduced by the statutory levy rate limits. If the fund balance exceeds an amount represented by the minimum required levy (1.125 cents per thousand dollars AV) on the second Tuesday of September, the county legislative authority may reduce the levy for the following year below the minimum. *RCW 73.08.080*.

**Community Services Levy.** A county legislative authority must budget and levy annually a tax equal to the amount which would be raised by a levy of 2.5 cents per one thousand dollars AV to support mental health and developmental disabilities services. The amount of the levy may be reduced in the same proportion that the regular property tax levy is reduced by the statutory levy rate limits. *RCW 71.20.110*.

**Emergency Medical Services Levy.** A county legislative authority may levy up to 50 cents per thousand dollars AV for emergency medical services after obtaining supermajority (60 percent) voter approval, where there is a voter turnout of more than 40 percent of the number who voted in the last general election. However, if the voter turnout is less than 40 percent, the measure will still pass if the number of "yes" votes is equal to at least 60 percent times 40 percent of those who voted in the last general election. The levy may be enacted for up to six years, ten years, or permanently. If the levy is made "permanent," it is subject to a referendum at any time. This levy is not subject to the \$5.90 levy rate limit in *RCW 84.52.043(2)*. However, the 1 percent constitutional limit does apply. *RCW 84.52.069*.

**Open Space and Conservation Futures Levy.** A county legislative authority may impose a countywide property tax levy of up to 6.25 cents per thousand dollars AV in the county for the purpose of purchasing open space and future development rights. This levy is not subject to the \$5.90 levy rate limit in *RCW 84.52.043(2)*. However, the 1 percent constitutional limit does apply. *RCW 84.34.230*.

**Tax Refund Fund Levy.** A county legislative authority may impose a levy for judgements against the county for illegal or excessive property tax collections in the prior year. *RCW 84.68.040*.

**County Lands Assessment Fund Levy.** A county legislative authority may impose a countywide levy for special assessments of county-owned property not to exceed 12.5 cents per thousand dollars AV. *RCW 36.33.140*.

**County Hospital Maintenance Levy.** A county legislative authority may impose a countywide levy for county hospital maintenance not to exceed 50 cents per thousand dollars AV. *RCW 36.62.090*

**River Improvement Fund Levy.** A county legislative authority may also impose a countywide property tax for flood control river improvements not to exceed 25 cents per thousand dollars AV. *RCW 86.12.010.*

**Affordable Housing Levy.** Counties may impose additional regular property tax levies up to 50 cents per thousand dollars AV each year for up to ten years to finance affordable housing for very low-income households when specifically authorized to do so by a majority of voters of the taxing district. If both the city and county impose a levy, the levy of the last jurisdiction to receive voter approval is reduced so that the combined rate does not exceed 50 cents per thousand dollars AV in any taxing district.

This tax may not be imposed until the legislative authority declares the existence of an emergency with respect to the availability of housing that is affordable to very low-income households, and the legislative authority adopts an affordable housing finance plan in conformity with state and federal laws regarding affordable housing. Very low-income is defined as being at or below 50 percent of the median income for the taxing district. The \$5.90 total levy rate limit in *RCW 84.52.043(2)* does not apply to this tax levy. The 1 percent constitutional limit does apply to this levy. *RCW 84.52.105.*

## ●Methodology for Calculating Revenue

Property taxes are calculated and assessed according to the following methodology:

- I. The county assessor's office estimates the fair and true value of each parcel of property in the county, not including exempted property. The exempted property is listed and valued, but not included in the AV.
- II. For each taxing district, the tax levy for collection in the coming year is determined by using the following formula:
  - A. For taxing districts with a population under 10,000, the highest levy for the prior three years is multiplied by a limit factor of 106 percent. For districts with a population of 10,000 or more, the highest levy for the prior three years is multiplied by the limit factor of 100 percent plus inflation as measured by the implicit price deflator or 106 percent, whichever is lower. If a finding of substantial need is made, an amount up to 106 percent may be used.
  - B. New construction and improvements (at the current year's assessed value) are multiplied by the current year's levy rate, then added to the amount calculated in (A). The legislature has allowed the computation of new construction above the levy limit because the impacts of new construction require additional services from the taxing district.
  - C. The change in the value of state-assessed public utility property is multiplied by the current year's levy rate and added to the sum of steps (A) and (B).

The taxable assessed value is calculated by subtracting the prior year's assessed value from the current year's assessed value.

- III. The sum of the calculations for A, B, and C is the total tax levy. It is divided by the assessed value for the current year and then multiplied by 1,000. For example, to determine the 2001 levy rate for property taxation, the levy amount is divided by the total county assessed value for 2000, then multiplied by 1,000. This is the levy rate that is then used to tax individual properties in 2001. Residential and commercial properties are assessed in different ways, but the levy rate for taxation is the same.
- IV. If the levy rate exceeds the statutory and constitutional limits, then the tax levies are reduced according to statute until they are below those limits. (See the discussion of prorationing on page xx.)
- V. The treasurer's office mails out tax statements to property owners. Taxes may be paid in two installments: the first half is due on April 30, and the second half is due on October 31. The general fund levy applies countywide, while the road fund levy applies only to property in the unincorporated portion of the county.

**Calculating the Collection of Delinquent Taxes.** In any given year, the county collects some amount of property tax that should have been paid in a previous year. The level of delinquent tax collection is correlated with the total amount of delinquent taxes outstanding.

Penalties and interest on taxes are calculated on delinquent taxes according to state statute. The rates and schedule for penalties and interest are summarized here:

- April 30 – the first half of the property tax payment is due and payable to the treasurer
- May 1 – delinquent taxes as of April 30 are subject to interest at a rate of 12 percent per annum computed on a monthly basis until payment is made.
- June 1 – a penalty of 3 percent is assessed on the amount of tax delinquent on May 31 of the year in which the tax is due.
- October 1 – the second half of the property tax payment is due.
- November 1 – delinquent taxes as of October 31 are subject to interest at the rate of 12 percent until payment is made.
- December 1 – an additional penalty of 8 percent is assessed on the total amount of tax delinquent on November 30 of the year in which the tax is due.

Every year, some percentage of the tax levy is not paid. The delinquency rate appears sensitive to short term interest rates and employment rates.

## ●Administration

The county assessor's office is responsible for determining the true and fair value of most property within each county. The assessor revalues properties on a cycle that varies by county. Seventeen counties revalue annually, twenty revalue every four years, and two counties revalue every two or

three years. These adjustments to value are based on physical inspections and an analysis of recent sales of similar properties.

Commercial property is not assessed the same way as residential property. Residential property is appraised based on the home's specific attributes and its fair market value. Commercial property is appraised using a variety of assessments, including square footage and different cost approaches.

The Department of Revenue assesses the properties of private utilities that operate in more than one county and assists assessor's offices in property tax administration. The county treasurer is responsible for collecting and distributing the tax proceeds to the various taxing districts.

## Sales and Use Tax

### ●Description

Governing bodies of cities and counties may impose sales and use taxes within their boundaries at a rate limited by state statute and set by local ordinances and resolutions to fund general county and municipal purposes. Transit districts and public facility districts also have taxing authority under the sales tax.

In calendar year 2000, counties collected over \$254 million in basic and optional sales and use tax, accounting for nearly 20 percent of all general fund revenues. This percentage will be higher in future years because the repeal of the motor vehicle excise tax under Initiative 695 has increased the relative importance of the sales and use tax in county revenues. Because this revenue results directly from retail purchases, including construction activity, sales and use tax revenues are highly sensitive to underlying economic conditions. Generally, sales and use tax revenue varies more with the local economy than property tax revenue.

Paid by the consumer, sales tax is a percentage of the retail price paid for specific classifications of goods and services within the state. If a purchase is made out-of-state by a Washington resident, where there is no sales tax or the sales tax paid out-of-state is less than the rate levied in the resident's locality, state law requires that a use tax be calculated and paid to make up the difference. In practice, most people do not pay the use tax on purchases made out-of-state, except for vehicles, where a use tax must be paid before licensure is authorized. Otherwise, the use tax is very difficult to administer and enforce.

Some mail order and Internet purchases by Washington residents are taxed and others are not. This is because of what tax economists and attorneys call "nexus." If a business has a retail outlet or other physical presence in the state, it is required to collect and remit the Washington sales taxes due, even if the sale is conducted over the phone, mail, or Internet. This results in the uneven application of sales taxes depending on whether or not a business has a nexus in Washington. For example, a Washington resident will pay a sales tax when making a mail order purchase from Eddie Bauer, whereas he/she will not pay the sales tax when making the mail order purchase for a similar item from L.L. Bean.

**Exemptions.** There are numerous exemptions to the sales tax, such as food products consumed off premises, prescription drugs, gasoline, and services such as haircuts, doctor's bills, and consultant's fees.

### ●Statutory Authorization

**Basic 0.5 Percent Sales and Use Tax.** A county legislative authority may impose, by resolution or ordinance, a sales and use tax at the rate of 0.5 percent on any taxable event within the county. The resulting revenues are not restricted and may be used for general county purposes. If both a county and a city within the county impose this tax, then the city rate can be no higher than 0.425 percent. This means that goods purchased within a city are not taxed by both the city and the county; they are only taxed once. However, the city receives only 85 percent of the revenue ( $0.425/0.500 = .85$ ). The remaining 15 percent from sales made in a city goes to the county. *RCW 82.14.030(1)*.

**Optional 0.5 Percent Sales and Use Tax.** A county may impose an additional sales tax, in 0.1 percent increments, up to a rate of 0.5 percent. The resulting revenues are not restricted by statute. If a city and a county both impose the optional sales tax at the same rate, then the county receives 15 percent of the revenue from sales in the city. If a city imposes the tax at a lower rate than the county (for example, assume that the city rate is 0.3 percent and the county rate is 0.5 percent), then the county will receive 15 percent of the revenue from the 0.3 percent city tax, but **all** the revenue generated in the city from the remaining 0.2 percent of the county tax. Conversely, if the city rate is higher than the county rate, then the county receives 15 percent of only a portion of the city revenue. If the city rate, for example, is 0.5 percent and the county rate is only 0.3 percent, the county will get 15 percent of the revenue earned in the city from a rate of 0.3 percent, and the city will keep all the revenue earned from the remaining 0.2 percent of the optional tax. *RCW 82.14.030(2)*. As of our date of publication, Asotin, Klickitat, and Skamania were the only counties not levying the optional tax.

This second half-cent optional sales tax must be approved by the legislative authority and is subject to referendum as required in *RCW 82.14.036*. This referendum procedure must specify that a petition may be filed with the filing officer identified in the tax ordinance within seven days of passage of the ordinance. Within ten days, the filing officer must confer with the petitioner concerning form and style of petition and write a ballot title for the measure. The petitioner then has another 30 days to gather the signatures of not less than 15 percent of the registered voters of the county. If sufficient valid signatures are gathered, the referendum measure is submitted to the county voters at the next general or at a special election, but not later than 120 days after the signed petition was filed.

**Optional 0.1 Percent Criminal Justice Sales and Use Tax.** A county legislative authority may enact, by resolution or ordinance, an additional sales tax, at a rate of 0.1 percent, for criminal justice purposes. This tax is subject to repeal by referendum. The revenue may not be used to replace or supplant existing criminal justice expenditures as of 1989. Of course, with the recent growth in criminal justice expenditures, this restriction has not been an issue.

These revenues are allocated with the first 10 percent going to the county, and the remaining 90 percent allocated between the county and cities within the county based on population. *RCW 82.14.340*. For example, if the total county population was 100,000 and the unincorporated population was 40,000 and the criminal justice revenues were \$500,000, then the county would get 10 percent (\$50,000) off the top. And since it has 40 percent (40,000/100,000) of the total population in the county, it would get another \$180,000 (40 percent of the remaining \$450,000 left to be allocated) for a total of \$230,000.

As of calendar year 2000, 30 counties had enacted this sales tax option for criminal justice support. During 2000, \$38.9 million was distributed to counties and \$49 million was distributed to cities under this optional sales tax.

**Optional 0.1 Percent Detention Facility Sales and Use Tax.** A county legislative authority may enact by resolution and subsequent voter approval a sales and use tax of 0.1 percent for the building, operation, and maintenance of jail or juvenile detention facilities. This tax is in addition to the other sales and use taxes allowable by statute. Counties are authorized to enter into joint ventures to co-locate a facility. *RCW 82.14.350*.

Eleven counties were imposing this tax as of year-end 2000. They are Benton, Franklin, Island, Kitsap, Kittitas, Mason, Pierce, San Juan, Spokane, Thurston, and Walla Walla counties. These counties collected \$24.5 million from this optional sales tax in 2000.

**Transit Sales and Use Tax.** Counties or their public transportation benefit areas (PTBA) may levy up to 0.9 percent sales and use tax for public transportation purposes. This authority was increased from 0.6 percent to 0.9 percent by the 2000 legislature in response to the difficulties transit districts found themselves in after one of their main funding sources, the motor vehicle excise tax, was repealed. These districts, not including the Regional Transit Authority in parts of King, Pierce, and Snohomish, collected almost \$393 million in sales and use taxes in 2000. Majority approval in a public vote is required to levy this tax. *RCW 82.14.045.*

**High Capacity Transportation.** Any county may levy up to a 1.0 percent sales and use tax specifically for high capacity transportation systems. Any county levying the 0.1 percent criminal justice sales and use tax may only levy 0.9 percent for this tax. The tax must be approved by a majority of those voting. This tax is in addition to the other sales and use taxes allowable by statute. *RCW 81.104.170.* The Regional Transit Authority (RTA) representing Snohomish, King, and Pierce counties has levied this tax at 0.4 percent, generating \$210.6 million in revenue during 2000.

**Rural Counties Public Facilities Tax.** The county legislative authority of a rural county (less than 100 persons per square mile) may levy up to an additional 0.08 percent sales tax dedicated to public facilities. This tax is credited against the state's 6.5 percent sales tax and therefore does not increase the tax to the consumer. The public facilities authorized under this tax must be listed in an adopted county overall economic development plan, or the economic development section of the county's comprehensive plan, or the comprehensive plan of a city or town within the county. Counties not planning under the Growth Management Act and not having an adopted overall economic development plan must use the proceeds for public facilities listed in the capital facilities plan of the county or of any city or town within the county. Public facilities include: bridges; roads; domestic and industrial water facilities; sanitary sewer facilities; earth stabilization; storm sewer facilities; railroad; electricity; natural gas; buildings; structures; telecommunications, transportation, or commercial infrastructure; and port facilities. *RCW 82.14.370.* All but eight of the thirty-nine counties are eligible for this optional sales tax and all of those eligible have taken advantage of the opportunity to levy it. In 2000, this tax generated \$14 million.

**Public Facilities District Tax.** A sales and use tax, not to exceed 0.2 percent, may be imposed by the governing board of a public facilities district with a majority vote of the voters within the district. The proceeds may be used for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, and reequipping of its public facilities. *RCW 82.14.048.*

Note there is also authority in *RCW 36.100.040* for a county public facilities district to levy, with voter approval, a hotel-motel (lodging) tax of up to 2 percent for the acquisition, design, construction, remodeling, maintenance, equipping, reequipping, repairing, and operation of its public facilities. An important proviso is that the effective combined rate of the state and local sales and use taxes and any local lodging taxes in any jurisdiction in the district may not exceed 11.5 percent. With the passage of legislation in 1997 (see the discussion on pages xx) that increased the rate that most jurisdictions could levy on hotels and motels, the authority in *RCW 36.100.040* may no longer be very useful.

**Public Facility District Tax for Regional Centers.** A public facilities district commencing construction of a new regional center or improvement or reconstruction of an existing new regional center before January 1, 2003 may impose a sales and use tax not to exceed 0.033 percent. The tax is credited against the state sales and use tax and, therefore, is no additional burden to the consumer. The tax expires when the bonds for the regional center and related parking are retired but not more than 25 years after the tax is first collected. The tax proceeds must be expended for purposes found in RCW 35.57.020 and must be matched by other public and/or private sources in an amount equal to 33 percent of the amount collected. *RCW 82.14.390.*

**One Percent Car Rental Sales and Use Tax.** A county legislative authority may impose a sales and use tax, in addition to other sales and use taxes allowed by statute, on the rental of passenger vehicles at a rate of 1 percent of the vehicle rental rate. This revenue is restricted and may be used only for: (1) acquiring, constructing, or operating public sports stadium facilities; (2) engineering, planning, financial, legal, or other professional services incidental to public sports stadium facilities; (3) youth or amateur sports activities or facilities; or (4) debt or refinancing debt for public sports stadium facilities. At least 75 percent of the revenue must be used for the purposes (1), (2), or (4). This revenue may not be used to subsidize any professional sports team. *RCW 82.14.049.* Four counties reported collecting this tax in 2000.

**Other Sales and Use Taxes.** Other sales tax authority exists for unique situations. King County may levy for both Safeco Field and the new football stadium a sales tax that is credited against the state tax. *RCW 82.14.0485 and RCW 82.14.0494.* King County levies a 0.5 percent sales tax on food and beverages sold in bars and restaurants, with the proceeds dedicated to financing Safeco Field. *RCW 82.14.360.* Pierce County levies a 0.1 percent sales tax to be used for zoo, aquarium, and wildlife preservation and display facilities. *RCW 82.14.400.*

**So, What Is the Rate in My County?** Since the state rate is 6.5 percent and because every county levies at least the basic 0.5 percent tax, the minimum tax rate in a county is 7.0 percent. In the 36 counties levying the optional 0.5 percent tax, the rate will be at least 7.5 percent. If a county levies the 0.1 percent criminal justice sales tax, the 0.1 percent detention facility tax, and/or a tax for public facilities, the rate will be higher than 7.5 percent. Similarly, some counties have transit districts and the total sales tax paid will include that tax. The important thing to remember is that the total sales tax rates in different counties may not be the same. However, the maximum rate that a county may levy for the general or current expense fund is 1 percent. Any other sales taxes levied and paid must be allocated for specific purposes noted in the statutes that authorize them.

## ●Administration

Department of Revenue, state treasurer.

The Department of Revenue charges a 1 percent fee for administering this tax. Businesses collecting the tax must remit it to the state by the twenty-fifth day of the month following the month of collection. The state treasurer then remits the local portion of the tax by the end of the following month. Taxes paid by the consumer in June, for example, would typically get remitted to a county by the end of August.

## Real Estate Excise Tax

### ●Description

A real estate excise tax (REET) is levied on all real estate sales measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The state imposes a 1.28 percent tax, and cities and counties are authorized to levy additional amounts. This revenue is collected by the county treasurer's office at the time the excise affidavit is filed.

According to the data in the state auditor's Local Government Finance Project database, counties collected \$60.6 million from the real estate excise tax in 1999.

### ●Statutory Authorization

**First Quarter Percent Real Estate Excise Tax (REET 1).** The legislative authority of a county may impose an excise tax on the sale of real estate at a rate not to exceed 0.25 percent of the selling price. For counties with a population of less than 5,000 and those not planning under the Growth Management Act (GMA), the receipts are restricted as to their use for "any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040." *RCW 82.46.010(2).*

Those counties with populations greater than 5,000 and those planning under the GMA have different restrictions on the use of the resulting revenues. The funds can only be used for capital projects identified in the capital facilities plan element of a comprehensive plan and housing relocation assistance. *RCW 82.46.010(2).* Capital projects are defined as:

public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and/or judicial facilities.

*RCW 82.46.010(6).*

These funds are meant to supplement funds that may already be reasonably available for such capital projects. The county legislative authority must identify in the adopted budget the capital projects that receive REET funds and indicate that such funds are intended to be in addition to other funds that may be available. If both a county and a city within that county impose the tax, then the city's tax will be credited against the county's tax, meaning that the revenue will go to the city and not to the county. *RCW 82.46.010(1), (2), and (4).* The property seller pays this tax.

**Second Quarter Percent Additional Real Estate Excise Tax (REET 2).** The legislative authority of any county that plans under the GMA may impose an additional excise tax on each sale of real property at a rate not exceeding 0.25 percent of the selling price. If a county is *required* to plan

under the GMA, then the legislative authority can levy this additional tax. Otherwise, if the county chooses to plan under the GMA, the voters must approve the tax before it can be levied.

Revenues collected from the additional REET are restricted to capital projects specified in the capital facilities plan element of the county's comprehensive plan and must be kept in a separate account. Eligible capital projects are more narrowly defined as follows:

Those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

*RCW 82.46.035.* The property seller pays this tax.

**One Half Percent Real Estate Excise Tax *in lieu* of Optional Sales Tax.** The legislative authority of a county may impose an additional tax on the sale of real estate, to be paid by the seller, at a rate not to exceed 0.5 percent of the selling price. The revenue from this tax may be used for any general government purpose. This tax is in lieu of the optional second half 0.5 percent sales and use tax that a county or city may impose. A county may levy this tax only in the unincorporated area. *RCW 82.46.010(3)*. This tax is subject to a referendum procedure set out in *RCW 82.46.021*. No counties have levied this tax option to date.

**One Percent Real Estate Excise Tax for Conservation Areas.** A county legislative authority may submit a ballot proposition to the voters for an additional real estate excise tax on each sale of real property in the county at a rate not to exceed 1 percent of the selling price. The revenue from this tax is restricted to the acquisition and maintenance of conservation areas. Conservation areas are defined in *RCW 36.32.570* as:

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 property buyer, rather than the seller, pays this tax. *RCW 82.46.070*. Only San Juan County has levied this tax to date.

## ●Administration

The county treasurer collects this tax and distributes proceeds of their shares to the state and cities after deducting a 1 percent fee which is put in the current expense fund for reimbursement of administrative costs. The proceeds of the county levies are deposited into separate funds, keeping the receipts from REET 1 and REET 2 segregated because of their different authorized uses.

## Lodging (Hotel-Motel) Tax

### ●Description

Cities and counties may tax the amount charged by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities for periods of occupancy of less than one month. The tax is collected as a sales and use tax by the business and is paid by the customer at the time of transaction.

### ●Statutory Authorization

**"Basic" and "Special" Tax Rates.** Any county may impose a basic 2 percent tax on the furnishing of lodging. *RCW 67.28.180(1)*. This tax is taken as a credit against the 6.5 percent state sales tax, so that the total tax that a patron pays in retail sales tax and the lodging tax combined is equal to the retail sales tax in the jurisdiction. In addition, most counties may levy an additional tax of up to 2 percent, for a total rate of 4 percent, as long as the total tax under chapter 36.100 RCW (the public facilities district tax), chapter 82.08 RCW (the state sales tax), chapter 82.14 RCW (the city, county, and transit district sales tax), chapter 67.28 RCW (the lodging tax chapter), and chapter 67.40 RCW (the convention and trade center tax) does not exceed 12 percent. *RCW 67.28.181(1)*. This "special" tax is **not** credited against the state sales tax. Therefore, if a county levies this additional tax, the total tax on the lodging bill will increase by 2 percent. When a city and a county both impose this tax, there is a credit for the amount of the city tax against the county tax. *RCW 67.28.180(2)(a); RCW 67.28.181(3)*.

There are some exceptions. Pierce, Gray's Harbor, Cowlitz, and Snohomish counties have some special provisions that were "grandfathered in" when this chapter underwent a major revision during the 1997 legislative session.

Thirty-eight counties reported levying at least the basic 2 percent of this tax as of year-end 2000, collecting \$17.3 million, \$14 million of which was earned by King County. Eighteen counties are levying the "special" lodging tax and collected \$4.3 million in 2000.

**Lodging Tax Advisory Committee.** A county of more than 5,000 population that levies this tax must create a lodging tax advisory committee. *RCW 67.28.1817(1)* details the required composition of this committee. The lodging tax advisory committee must consist of at least five members, at least two of which are representatives of businesses that collect the tax, at least two of which are persons involved in activities funded by the tax, and one member from the county, who acts as chair.

Before a county may impose this tax, increase the rate of the tax, repeal an exemption under the tax, or make a change in the use of the tax revenue, it must submit the proposal to the lodging tax advisory committee for review and comment at least 45 days before taking final action on the proposal. The committee must submit comments in a timely manner and the comments must include:

an analysis of the extent to which the proposal will accommodate activities for tourists or increase tourism, and the extent to which the proposal will affect the long-term stability of the fund created under RCW 67.28.1815.

*RCW 67.28.1817(2)*. The committee's failure to submit comments within the 45-day period does not prevent the legislative body from taking final action on the proposal. *Id.*

**Use of Revenue.** The revenue from this tax source must be placed in a special revenue fund and may be used only for the costs of tourism promotion or for acquisition and/or operation of tourism-related facilities. *RCW 67.28.1815*. "Tourism" is defined as:

economic activity resulting from tourists, which may include sales of overnight lodging, meals, tours, gifts, or souvenirs. *RCW 67.28.080(5)*.

"Tourist promotion" is defined as:

activities 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 marketing of special events and festivals designed to attract tourists. [Emphasis added.] *RCW 67.28.080(6)*.

Note that lodging tax funds may be spent only on **marketing** special events and festivals. These monies may **not** be spent on the costs of actually putting on the special events or festivals. There is nothing in the definition that limits the marketing to county events, as long as the events are designed to attract tourists.

However, because of the state constitutional gift of public funds prohibition, a county should enter into a contract with any private organization providing marketing services or any other tourist promotion activity. The contract should spell out the tourism-related services to be provided in exchange for county funding and what reports will be required. Also, any organization doing promotional activity on behalf of the county may only spend lodging tax funds on items that the county itself could fund. This prohibits, for example, any expenditures on promotional hosting.

The limitation on using lodging tax revenues for acquiring and/or operating tourism-related facilities is guided by the following definitions in *RCW 67.28.080*:

"Tourism-related facility" means real or tangible personal property with a usable life of three or more years, or constructed with volunteer labor, and used to support tourism, performing arts, or to accommodate tourist activities.

"Acquisition" includes, but is not limited to, siting, acquisition, design, construction, refurbishing, expansion, repair, and improvement, including paying or securing the payment of all or any portion of general obligation bonds, leases, revenue bonds, or other obligations issued or incurred for such purpose or purposes under this chapter.

"Operation" includes, but is not limited to, operation, management, and marketing.

Whether a particular facility qualifies as a "tourism-related facility" depends upon the particular circumstances. A guiding principle here is that the facility should be used by tourists. If a county is unsure of the appropriateness of any given expenditure for a facility, the state auditor's office has agreed to review and approve, if appropriate, each proposed use of these tax revenues.

One other guiding principle is that the tourism-related facilities must be owned and operated by the county, either individually or jointly with another municipality or private party. A county cannot, for example, give money to a nonprofit museum, even though museums are a permitted use if owned by the county. See AGO 2000 No. 9 for a discussion on using lodging tax revenues for tourism-related facilities.

### ●Administration

Department of Revenue and state treasurer.

This revenue is collected by the state with sales and use tax revenue, and is then returned to the county.

## Timber Excise Tax

### ●Description

A state timber excise tax is assessed as a percentage rate of the stumpage value on timber harvested from public or private land. However, the county tax may be imposed only on timber harvested on private land.

Counties received distributions of \$38.7 million from this tax in 2000.

### ●Statutory Authorization

**State Excise Tax on Harvesters of Timber.** The state imposes an excise tax on timber harvested on privately or publicly-owned lands. The tax is equal to the stumpage value multiplied by 5 percent. *RCW 84.33.041, RCW 84.33.046.*

**County Excise Tax on Harvesters of Timber.** Counties may impose a tax on the harvest of timber on privately-owned land only, equal to the stumpage value multiplied by 4 percent. This tax may be used as a credit by the harvester against paying four percentage points of the state excise tax. *RCW 84.33.051, 84.33.041(2).*

### ●Administration

The Department of Revenue collects the revenue and the state treasurer distributes it to the counties quarterly in February, May, August, and November, based on a complex formula related to local property tax levies. *RCW 84.33.081.* The county treasurer deposits the revenue in a county timber tax account that each county must establish. The county treasurer then distributes the revenue to taxing districts in the county based upon the district's timber assessed value and the level of the district's property tax levy.

The state's distribution formula outlines three priorities for revenue distribution to the taxing districts. There are minimum distribution levels that must be met with each. Priority 1 is taxing districts with voted bond or capital project excess levies. The amount is equal to the timber-assessed value of the district multiplied by the tax rate levied for payment of the bonds or capital projects. *RCW 84.33.081(2).*

Priority 2 is local school maintenance and operating levies. The amount distributed is equal to one-half of the timber assessed value of the district or 80 percent of the timber roll in calendar year 1983, whichever is greater, multiplied by the tax rate levied by the district for purposes other than those that may be included in Priority 1 above. *RCW 84.33.081(3).*

Priority 3 is all other levies, including the county general fund and road fund levies and the levies of junior taxing districts. The amount is equal to the timber assessed value of the district multiplied by the tax rate, if any, levied as a regular levy of the district or as a special levy that is not included in funding priorities 1 and 2 above. *RCW 84.33.081(4).*

If the timber excise is not sufficient to fund a complete priority, the funds will be prorated within the priority and the districts will each receive a percentage of the available funds. If there are revenues remaining after the Priority 3 allocation, an amount equal to 20 percent of what was distributed in the three funding priorities is placed in reserve for the following year. If there is still revenue remaining, those funds are distributed to the Priority 3 districts in a proportion equal to the original allocation percentages in that priority category. *RCW 84.33.081(5), (6)*.

## Other Taxes

### ●Leasehold Excise Tax

Most leases of publicly-owned real and personal property in Washington are subject to the leasehold tax in lieu of a property tax. The 1976 Legislature established a 12 percent tax to be levied either on the contract rent (when the lease is established by competitive bidding) or by the imputed economic rent as determined by the Department of Revenue. *RCW 82.29A.030(1)*. The 1982 Legislature added a 7 percent surcharge to the revenue collected, making the total rate 12.84 percent. *RCW 82.29A.030(2)*.

Cities and counties may collectively levy up to 6 percent of this 12.84 percent and credit that 6 percent against the state's 12.84 percent. Counties may impose a tax of up to 6 percent, and cities may impose a tax of up to 4 percent, with that tax being credited against the county's rate. If a city chooses not to levy its maximum, the county can capture the city's remaining taxing authority. *RCW 82.29A.040*. In this way, any jurisdiction imposing this tax does not increase the tax paid by the lessee. After deducting an administrative fee of 2 percent, the Department of Revenue distributes the tax revenues to local governments on a bi-monthly basis. *RCW 82.29A.090*. The county treasurer distributes the county's leasehold excise tax revenue to taxing districts in the county, other than cities, in the same allocation percentages as property taxes within the county. *RCW 82.29A.100*. During 2000, counties collected over \$6.5 million from this tax.

**Administration.** Department of Revenue and county treasurer.

### ●Enhanced 911 Telephone Access Line Excise Tax

Both the state and the counties levy an enhanced 911 telephone access line excise tax. A county legislative authority may impose a countywide enhanced 911 excise tax on the use of switched access lines in an amount not to exceed 50 cents per month. *RCW 82.14B.030(1)*. (The state levy is \$0.20 per month per switched access line. *RCW 82.14B.030(3)*.) The legislative authority may also impose a 911 excise tax on the use of radio access lines located within the county in an amount not to exceed 25 cents per month. *RCW 82.14B.030(2)*. These revenues are restricted to expenditures related to emergency 911 services. *RCW 82.14B.050*. All counties levy both the switched access and radio access taxes.

The state and local levies are collected by the phone and radio line companies from the customers and, after deduction of collection costs, the receipts are remitted to the county treasurer by the last day of the month following the date in which the tax liability accrued. The county must establish by ordinance procedures for administration and collection of the tax. *RCW 82.14B.030*.

**Administration.** County officials and county treasurer.

### ●Gambling Excise Tax

Cities and counties are authorized to collect taxes on gambling activities within specified limits. The state does not impose gambling excise taxes. The county tax applies only to activities that

occur in the unincorporated areas. The state makes a distinction in what gambling activities can be taxed and in tax rates based on whether the gambling activities are conducted by charitable and nonprofit organizations or whether they are conducted for profit.

The maximum allowable county levies on gambling activities by commercial stimulant operators (for profit businesses) are as follows:

*Bingo* – up to 5 percent of net receipts (gross receipts less cash or merchandise prizes).

*Raffles* – up to 5 percent of net receipts.

*Amusement Games* – up to 2 percent of net receipts.

*Punchboard, Pulltabs* – up to 5 percent of gross receipts **or** up to 10 percent of net receipts.

*Social Card Rooms* – up to 20 percent of gross receipts.

The maximum allowable county levies on gambling activities by charitable or nonprofit organizations are as follows:

*Bingo* – no tax on first \$5,000 of net receipts, then up to 5 percent of net receipts.

*Raffles* – no tax on first \$10,000 of net receipts, then up to 5 percent of net receipts.

*Amusement Games* – no tax on the first \$5,000 of net receipts, then up to 2 percent of net receipts.

*Punchboard, Pulltabs* – up to 10 percent of net receipts.

*Social Card Rooms* – up to 20 percent of gross receipts.

#### *RCW 9.46.110.*

State law requires that jurisdictions levying gambling taxes use the funds primarily for enforcement of gambling laws. *RCW 9.46.113*. In *American Legion Post No. 32 v. City of Walla Walla*, 116 Wn.2d 1 (1991), the state supreme court concluded that "primarily" means that any gambling tax revenue must first be used for gambling law enforcement purposes; it does not mean that most or a substantial amount of the revenue must be so used. The court also concluded that enforcement does not necessarily include only police activity directly related to gambling activities. Any funds remaining after enforcement of gambling laws may be used for general government purposes.

**Administration.** County officials and county treasurer.

## ●Commercial Parking Tax

Counties may impose a tax on commercial parking in unincorporated areas. This tax can be imposed on either the commercial parking business, or on the individual parking the motor vehicle.

The statute authorizing this tax provides a variety of options. The tax may apply to all parking for which a fee is paid, whether paid or leased, including parking supplied with a lease of nonresidential space. The tax may be a fee per vehicle or a percentage of the parking charge. The tax rate may vary with zoning or location of the facility, the duration of the parking, or the time of entry or exit, the type or use of the vehicle, or other reasonable factors. The tax may exempt carpools, vehicles with handicapped decals, or government vehicles. The proceeds from this tax may be used only for transportation purposes. *RCW 82.80.030*.

Transportation purposes are defined to include:

The operation and preservation of roads, streets, and other transportation improvements; new construction; reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high-capacity transit improvements and programs; and planning, design, and acquisition of right of way and sites for such transportation purposes.

*RCW 82.80.070(1)*.

**Administration.** County officials and county treasurer.

## ●Admission Tax

Counties may impose by ordinance a tax of not more than 5 percent of the admission charge to any place, excluding any activity of any elementary or secondary school or any public facility of a public facility district for which an admission charge is imposed under *RCW 35.57.100* or *36.100.210*. *RCW 36.38.010(1)*.

The term “admission charge” is defined to include:

a charge 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 shall be considered as the admission charge. It shall also include any automobile parking charge where the amount of such charge is determined according to the number of passengers in any automobile.

*RCW 36.38.010(2)*.

In *Ski Acres v. Kittitas County*, 118 Wn.2d 852 (1992), the state supreme court invalidated application of the tax to the ski area because it does not charge a fee for entry onto its land.

There are no statutory restrictions on the use of this revenue source, except for King County, which must use the proceeds from any taxes levied on events in a stadium for stadium bond payments and capital costs. As of the end of 1999, data from the Local Government Financial Reporting

System of the state auditor's office showed that five counties (Franklin, Grant, King, Kitsap, and Kittitas) reported collecting a total of \$2.6 million from this tax.

RCW 36.38.020 authorizes a number of optional provisions for the admission tax ordinance, and RCW 36.38.030 contains specific requirements as to the form of the ordinance and the procedures for adopting it.

**Administration.** County officials and county treasurer.

### ●Local Option Motor Vehicle Fuel Tax

This county levy was authorized in 1990 in an amount not to exceed 10 percent of the state motor vehicle and special fuel excise tax, currently \$0.23 per gallon. The legislative body must first approve the measure and then obtain approval of the majority of voters in an election. *RCW 82.80.010*. The tax is to be collected by the state treasurer and distributed on a monthly basis to counties and cities. For purposes of this distribution, the population in the unincorporated areas is multiplied by 1.5 and added to the population of the cities. This new total is used as the denominator in the revenue sharing formula. *RCW 82.80.010*. For example, if the population in the unincorporated areas of a county is 40,000 and that in the incorporated areas is 90,000, the following calculations would be made:

$$\begin{aligned}40,000 \times 1.5 &= 60,000 \\60,000 + 90,000 &= 150,000 \\60,000/150,000 &= .4\end{aligned}$$

This county would get 40 percent of the revenue being distributed. Similar calculations are made for each city, using its population in the numerator. The revenues derived from this excise tax are restricted as to their use. These "local option transportation revenues" may be used only for transportation purposes. Transportation purposes are defined to include:

The operation and preservation of roads, streets, and other transportation improvements; new construction; reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high-capacity transit improvements and programs; and planning, design, and acquisition of right of way and sites for such transportation purposes.

*RCW 82.80.070(1)*.

A specific transportation program, containing statutorily-required elements, is required for jurisdictions larger than 8,000 population. *RCW 82.80.070*. The only counties that have attempted to levy this tax are Spokane County and Snohomish County. Their ballot measures failed and, at this time, no county is levying this tax.

**Administration.** Since no county has yet levied this tax, the manner in which it would be administered has not been determined.

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# Intergovernmental Revenues

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COLUMBIA COUNTY  
COURTHOUSE

## Motor Vehicle Fuel and Special Fuel Tax

### ●Description

The motor vehicle fuel tax, or “gas tax,” is an excise tax levied on each gallon of motor vehicle fuel sold in the state. Also, a "special" fuel tax is levied on fuels not taxed under the motor vehicle fuel tax, primarily diesel fuel. Revenue from these taxes is deposited in the state motor vehicle fund and is then distributed to cities, towns, counties, and the state for transportation purposes. This shared tax is one of the primary sources of road fund revenue for counties. In 2000, almost \$130 million was distributed to the counties.

### ●Statutory Authorization

**State Motor Vehicle and Special Fuel Tax.** The state currently levies \$0.23 for each gallon of gasoline and diesel fuel sold. *RCW 82.36.025; 82.38.030(1)*. After administrative expenses of 1.5 percent are deducted, this revenue is shared with cities, counties, and various state funds as set out in *RCW 46.68.090*.

### ●Methodology for Calculating Revenue

Counties directly receive 19.2287 percent of the funds distributed by the state. In addition, counties benefit from distributions of 1.9565 percent to the county arterial preservation account, and 2.5363 percent to the rural arterial trust account. *RCW 46.68.090*.

The revenue in the Motor Vehicle Fund that is dedicated for direct disbursement to counties is allocated using the following two-step formula:

#### **First Step** – *RCW 46.68.120*.

1. 1.5 percent deducted for Department of Transportation and the County Road Administration Board (CRAB);
2. Deduct all amounts repaid to counties composed entirely of islands; and
3. 0.33 percent deducted for funding the counties' share of the costs of highway jurisdiction studies and other studies.

#### **Second Step** – *RCW 46.68.122 and RCW 46.68.124*.

After the first step is deducted, the remainder is allocated as follows:

1. 10 percent is distributed in equal amounts to each county.
2. 30 percent is distributed according to a county's population. The equivalent population for a county equals 100 percent of the population in the unincorporated area plus 25 percent of the population in the incorporated areas.

3. 30 percent is distributed based on a county's annual road costs. Road costs equal 4 percent of the total county road replacement cost plus the total estimated annual maintenance cost. These costs include bridges and ferries. Costs are based on a statewide cost-per-mile for each roadway type. County roads are roads recorded in the county road log with CRAB as of July 1 of each odd-numbered year.
4. 30 percent is distributed based on county need. Need is defined as road costs minus: (1) the sum of half the county road fund property taxes collected for the last two years; (2) half of the county road funds received from the federal forest reserve fund for the last two years; (3) half of the timber excise tax received in the last two years; and (4) half of the motor vehicle license fees and motor vehicle fuel taxes refunded to island counties for the last two years.

### ●Administration

Department of Licensing, Department of Transportation, CRAB, and state treasurer. Counties receive a distribution each month.

## State Forest Board Timber Revenue

### ●Description

Revenues from this source are generated from timber on lands managed by the Department of Natural Resources (DNR). DNR manages land on behalf of eleven trusts; revenue generated by lands held in each trust is dedicated to particular purposes specified by the trust. A portion of the revenue generated by Trust 1 (State Forest Board Transfer) lands and Trust 2 (State Forest Board Purchase) lands is dedicated to the support of local government, as are revenues from State Forest Board leases. This money is distributed to the county treasurer, who in turn distributes it to county funds and local taxing districts in proportion to their regular property tax levies for that year. This revenue comes mainly from the sale of timber harvests. Other sources include lease income and the sale of other valuable materials, such as gravel.

In 2000, \$66 million was distributed to counties.

### ●Statutory Authorization

**Forest Board Transfers.** Forest Board transfers represent land that reverted to a county (usually because of delinquent property taxes). The county subsequently deeded the land to the state, free of charge. *RCW 76.12.030.*

**Forest Board Purchases.** Forest Board purchases represent land that was bought outright by the Forest Board. *RCW 76.12.020.*

**Forest Board – Other.** These are fees charged for the use of Forest Board lands, such as lease income and the sale of valuable materials other than timber, such as gravel. *RCW 76.12.030.*

### ●Methodology for Calculating Revenue

All revenue is generated by the sales of timber, or other valuable materials, and leases. The amount of revenue depends primarily on what DNR sells at what price. DNR decides what to sell on the basis of its long-range forest management plans. The Forest Board in its monthly meeting must approve each sale proposed by DNR. The sale is advertised in local newspapers, and notices are posted in the county treasurer's office. A detailed prospectus is also published. The prospectus includes an estimate of the quantity (in board feet) of each major species of tree in the sale. This estimate is known as the "cruise." The prospectus also specifies a minimum bid and the date of the sale. These sales are conducted as auctions.

Revenue from a timber sale accrues to the state as the timber is actually harvested. DNR monitors harvesting activity to ensure that all trees cut are duly paid for. The price the harvester pays is based upon his bid, and there are quarterly adjustments made by DNR to reflect changes in the timber market.

Most of these sales are made in the form of multi-year contracts, and the harvester has near complete discretion as to when to harvest the timber. (DNR contracts impose a deadline, but the

harvester is not required to actually harvest the full amount of the cruise estimate by the end of the contract – or any timber at all for that matter.) For this reason, the quantity of timber harvested – and the quantity of revenue generated – in any given period may vary significantly and is difficult to forecast. The variability of the price of timber only adds to this difficulty.

Each quarter, DNR provides counties with a projection of the timber revenue each county will receive over the next four quarters. This projection is based on direct interviews with the relevant harvesters to ascertain their harvest plans for the coming year. The quarterly report also supplies forecasts for each contract in the county. Using this information, it is possible to attribute the projected revenue to specific code districts and trusts and thus to calculate the share which the county may expect.

**Forest Board Transfer Revenue.** Transfer lands are considered to be held in trust for local government. Up to 25 percent is retained by the state in the Forest Development Account. The remaining amount is disbursed to the county treasurer in the county containing the transfer land for distribution to county funds in the same manner as general taxes are distributed. *RCW 76.12.030.*

**Forest Board Purchase Revenue.** Purchase lands were bought by the state, so the state keeps a large portion of the revenue accruing from them. Fifty percent of purchase land revenue is retained by the state in its Forest Development Account. *RCW 76.12.120(1).*

The remaining revenue is distributed to the state general fund for the support of public schools and to the county in which the land is located according to the relative proportion of the tax levies of all the taxing districts in the county. The monies received by the county are distributed among various funds in the same manner as general taxes are distributed. *RCW 76.12.120(2).*

## ●Administration

Department of Natural Resources, state treasurer, and county treasurer. The state treasurer distributes these funds to the counties four times per month, with no more than 10 days between each distribution. *RCW 76.12.033 and RCW 76.12.120(2).*

## PUD Privilege Tax

### ●Description

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 electric energy.

Counties received over \$15 million from their share of the PUD tax in 2000.

### ●Statutory Authorization

**Privilege Tax Basic Rate.** The excise tax basic rate for PUDs is 2 percent of the gross revenue derived from the sale or distribution of power, plus 5 percent of the first four mills (*i.e.*,  $.05 \times .004 = .0002$ ) per kilowatt hour of the wholesale value of self-generated energy for resale or distribution to consumers by a district. *RCW 54.28.020.*

### ●Methodology for Calculating Revenue

Four percent of the privilege tax levy collected is deposited into the state general fund. Of the remaining funds, 37.6 percent is distributed by the state to the state general fund for the benefit of the public schools. The remainder is disbursed to counties in proportion to the gross revenue from sales within each county. The county treasurer then distributes the revenue to the respective taxing districts, except schools, in proportion to their property tax levies. *RCW 54.28.040; 54.28.050; 54.28.090.*

The state requires that an “equitable” amount, as determined by the legislative authority of the county and not less than 0.75 percent of the utility’s revenues collected from the sale of electricity within incorporated areas, be distributed to those incorporated areas. *RCW 54.28.090.* The distribution percentage can vary from year to year.

### ●Administration

Department of Revenue, state treasurer, and county treasurer. The state treasurer distributes these revenues once a year in June.

## Liquor Board Profits

### ●Description

The state maintains a monopoly on the sale of hard liquor at liquor stores. Additionally, the state regulates and requires licenses for establishments that serve hard liquor. License fees, permit fees, and liquor store revenues received by the Liquor Control Board are deposited into the Liquor Revolving Fund.

To be eligible to receive liquor board profits, a county must devote no less than 2 percent of its distribution to support an approved alcohol or drug addiction program. *RCW 70.96A.087*. In 2000, the state treasurer disbursed nearly \$ 5.2 million to counties from this revenue source.

### ●Methodology for Calculating Revenue

Except for monies from administrative fees and Class H licenses, the profits are divided among the state, cities, and counties. Fifty percent goes to the state general fund; 10 percent goes to counties, distributed based on the ratio of unincorporated population in the county divided by the total unincorporated population in the state; and 40 percent goes to cities, distributed based on the ratio of a city's population divided by the total state incorporated population. An additional small amount is distributed to border cities and towns and Point Roberts.

### ●Statutory Authorization

*RCW 66.08.180, 66.08.190, 66.08.195; 66.08.200; 66.08.210.*

### ●Administration

Liquor Control Board and state treasurer. These revenues are distributed to cities and counties in March, June, September, and December.

## Liquor Excise Tax

### ●Description

Counties and cities may not tax liquor, but they are eligible to receive a portion of the state liquor excise tax receipts if they devote no less than 2 percent of its distribution to support an approved alcohol or drug addiction program. *RCW 70.96A.087.*

In 2000, counties received \$2.4 million from this state-shared revenue source.

### ●Methodology for Calculating Revenue

The liquor excise tax is 20.5 percent of the sales price to consumers of distilled spirits and 17.1 percent for strong beer. In both cases, the basic rate is 15 percent, with the remainder being surcharges. There is also a total tax on restaurant licensees of 13.7 percent for distilled spirits and 11.4 percent for strong beer, calculated from a basic rate of 10 percent plus surcharges. Revenues collected from the basic rates of 15 percent of consumer purchases and 10 percent of restaurant licensees are divided between the state (65 percent) and local governments (35 percent). Of the amount allocated to local government, cities receive 80 percent and counties receive 20 percent. Individual counties receive a portion of this 20 percent based on the county's unincorporated population as a percentage of the state's total unincorporated population.

### ●Statutory Authorization

*RCW 82.08.150; 82.08.170.*

### ●Administration

Liquor Control Board, Department of Revenue, and state treasurer. The state collects and distributes the revenue in January, April, July, and October.

## **Criminal Justice Assistance**

### **●Description**

Before the passage of Referendum 49 in November 1998, counties (and cities) received state-shared revenues from the state motor vehicle excise tax to be used for criminal justice purposes. Referendum 49 changed the allocation of funds from the motor vehicle excise tax, providing greater shares for various state transportation funds. After the readjustments had been made, the counties' and cities' share of this revenue source was reduced. In order to make certain that these jurisdictions would not receive less criminal justice assistance if the voters approved Referendum 49, the legislature wrote into the relevant statutes (RCW 82.14.310 for counties) a provision that they would get yearly allocations from the state general fund that would completely make up for the lower motor vehicle excise tax allocations and, additionally, give them a higher level of funding.

Beginning in fiscal year 2000, counties received \$23.2 million (less an amount of up to 5 percent which is available for appropriation for the state crime laboratory) from the state general fund. Each year thereafter, the amount is to be increased by the state's fiscal growth factor, as defined by RCW 43.135.025 (6) and (7), which governs the increase in the expenditure limit under Initiative 601. The "fiscal growth factor" is the average, for the last three years, of the sum of state population growth and the change in the implicit price deflator.

This substitution of a state general fund allocation for part of the motor vehicle excise tax was clearly fortuitous for counties and cities since the 2000 legislature repealed the motor vehicle excise tax after the voters approved Initiative 695 in November 1999. Statutes can be amended or repealed, of course. But, for now, these general fund transfers are automatic and do not compete directly with other state expenditures during the budget process.

### **●Methodology for Calculating Revenue**

The monies are distributed according to a county's funding factor. The funding factor is a function of the population divided by one thousand and multiplied by two-tenths; the crime rate of the county, multiplied by three-tenths; and the annual number of criminal cases filed in the county's superior court, for each one thousand population, multiplied by five-tenths.

These state-shared revenues are to be used exclusively for criminal justice purposes, defined in RCW 82.14.310(3) as "those activities 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 (a) domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates... and (b) during the 2001-2003 fiscal biennium, juveniles dispositional hearings relating to petitions for at-risk youth, truancy, and children in need of services."

### **●Statutory Authorization**

*RCW 82.14.310.*

● **Administration**

Washington State Office of Community Development, Washington Association of Sheriffs and Police Chiefs, Department of Revenue, and state treasurer. These funds are distributed in January, April, July, and October.

## **Vessel Registration Fees**

● **Description**

This \$10.50 annual vessel registration fee is collected along with the watercraft excise tax. Any amount collected beyond the specified \$1.1 million dedicated to the state general fund is allocated to counties with an approved local boating safety program. Distributions are based on the number of vessel registrations by county of moorage. All revenue must be dedicated to a boating safety program and law enforcement function and is non-supplantable. A county is responsible for allocating revenues to other jurisdictions in the county with boating safety programs.

Counties received almost \$1.6 million from these fees in 2000.

● **Statutory Authorization**

*RCW 88.02.040, 88.02.045, 88.02.050.*

● **Administration**

Department of Licensing, State Parks and Recreation Commission, and county auditor.

## **Child Support Reimbursement**

### **●Description**

The Washington Department of Social and Health Services, Office of Support Enforcement, provides reimbursement funding to counties for child support efforts. Costs incurred by the program can include drawing, transporting, and testing of blood, guardian ad litem services, litigation, and other costs.

### **●Statutory Authorization**

*RCW 26.09.120.*

### **●Administration**

Department of Social and Health Services.

## **Death Investigation (Autopsies) Reimbursement**

### **●Description**

The state partially reimburses counties for the costs of death investigations by providing up to 40 percent of the costs of contracting with a pathologist for autopsies, and up to 25 percent of the salary of pathologists who are county coroners or medical examiners or employees of the same.

In 2000, counties received approximately \$670,000 in reimbursement revenues.

### **●Statutory Authorization**

*RCW 68.50.104.*

### **●Administration**

State Forensic Investigations Council and state treasurer.

## **Auditor's Centennial Document Preservation**

### **●Description**

This state-mandated surcharge of \$2 per document recorded in the county auditor's office is split, with \$1 credited to the auditor's O&M fund and \$1 transmitted to the state treasurer. The state treasurer then allocates the revenue to counties once a year based on a formula that distributes 50 percent by population and the other 50 percent equally among all the counties. The revenue received from this portion of the fee is to be dedicated to a special account, the auditor's centennial document preservation and modernization account, to be used exclusively for ongoing preservation of historical documents of all county offices and departments.

Counties received \$1.7 million from this revenue source in 2000.

### **●Statutory Authorization**

*RCW 36.22.170, 36.32.190.*

### **●Administration**

County auditor and state treasurer.

## **Juvenile Lunch Reimbursement**

### **●Description**

The United States Department of Agriculture reimburses schools for a certain number of meals served to children based on a needs formula. When a school is located in a county juvenile detention facility, the county qualifies for reimbursement revenues. This funding is arranged by contract with the federal government.

### **●Statutory Authorization**

*RCW 13.04.145; RCW 13.06.050; National School Lunch Act, P.L. 97-35 and P.L. 104-193.*

### **●Administration**

U.S. Department of Agriculture and county juvenile services.

## **Federal Payment-In-Lieu of Taxes (PILT)**

### **●Description**

These federal payment-in-lieu tax revenues are based on tax-exempt federal lands administered by the Bureau of Land Management (BLM), the National Park Service, the U.S. Fish and Wildlife Service, the U.S. Forest Service, and for federal water projects and some military installations.

PILT Payments are computed based on the number of acres of federal entitlement land within each county. The number of qualified acres is multiplied by a dollar amount per acre set by law and appropriation. Payments are subject to limitations based on population. Congress sets annual PILT program funding limitations, which may also affect the amount of the payments under the program. Counties may use the payments for any governmental purpose.

In fiscal year 2000, the 37 eligible counties received \$3.7 million in PILT payments.

### **●Statutory Authorization**

*P.L. 97-258; 31 USC §6902.*

### **●Administration**

Bureau of Land Management and county treasurers. The county treasurers allocate PILT payments among jurisdictions in proportion to the property taxes collected.

## **Federal Forest Yield Revenue**

### **●Description**

This revenue source is a payment-in-lieu of taxes and is calculated on the basis of 25 percent of the stumpage revenues of the timber harvested from federal forests within a county. The revenues are allocated half to public schools in the county and half to county roads. In 2000, counties received \$12.5 million from this revenue source.

To deal with the decline in revenues from this source resulting from the curtailment of federal timber sales, Congress passed the "Secure Rural Schools and Community Self-Determination Act of 2000" (PL 106-393). This law provides for a stable annual payment for the years 2001-2006 to affected counties (those receiving the 25 percent fund) based on a formula that calculates the average of the three highest 25 percent payments and safety net payments made to the state for fiscal years 1986 through 1999, with an annual adjustment. The payment is made to the state, which distributes the money to the affected counties. A county may elect, however, to receive the 25 percent payment, effective for two fiscal years. Most of the moneys (80 to 85 percent) must be expended in the same manner as the 25 percent payments; the other revenues must be expended for projects as specified in the legislation.

● **Statutory Authorization**

*16 USC §500, PL 106-393, RCW 28.A520.010.*

● **Administration**

U.S. Department of Agriculture (Forest Service) and state treasurer.

**Parimutuel Tax**

● **Description**

This state-imposed tax on the gross receipts of parimutuel machines at licensed horse racing events is allocated for payment of the salaries of the horse racing commission and staff and of the expenses of carrying out the commission's duties. Any moneys collected but not expended by the commission at the close of the fiscal biennium go to the state treasurer to be placed in the fair fund. Of the moneys in the state fair fund, 85 percent is distributed to participating agricultural fairs, based on "merit." Participating county fairs and district fairs are eligible participants. The remaining 15 percent may be used for special assistance to fairs and no more than 5 percent may be used for administration.

Because the parimutuel tax has been significantly reduced since 1998, the 2001 legislature authorized an annual \$2 million transfer from the general fund to the fair fund. See RCW 15.76.115, as amended by ESSB 5237.

● **Statutory Authorization**

*RCW 15.76.150, RCW 67.16.100.*

● **Administration**

Horse Racing Commission and Department of Agriculture.

## **Other Intergovernmental Revenues**

Washington's counties receive a wide variety of federal and state intergovernmental revenues that reflect the variety of programs and services they provide to their citizens. The broad categories of intergovernmental funding not identified above are as follows:

### **●Roads**

The Federal Highway Administration and the Federal Transit Administration of the Department of Transportation transmit large formula and categorical grants to the Washington State Department of Transportation, which in turn provides both pass-through federal and state grant funding to local governments for roads and transit programs. The funding includes programs for bridge replacement and rehabilitation, the surface transportation program, safety programs, transportation enhancement programs, transit and paratransit programs, arterial street improvements, the rural arterial program, the county arterial preservation program (CAPP), and the urban arterial trust account. These programs and others supplement the county road property tax levies and sales taxes dedicated to transit operations.

### **●Health and Human Services**

The federal Department of Health and Human Services (DHHS) transmits formula and categorical grants to the Washington Department of Health, which in turn provides both pass-through federal and state grant funding of local health departments.

The DHHS also distributes a number of formula entitlement and categorical grants to the state Department of Social and Health Services, which in turn distributes the funds to various county functions, such as mental health, substance abuse, and developmental disabilities.

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# Permits, Fees, Charges, Fines, and Forfeitures

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## Auditor's Office Permits and Fees

### ●Description

State law requires that county auditors collect certain fees for their services. Counties keep some of these fees and others are disbursed to the state. Some of the fees sent to the state are returned to the counties, while some pay for state programs. The following are the main revenue-producing fees for a county auditor. Some fees, such as for certified copies and lien searches, have not been included because the revenue they produce is not significant. For a more detailed list of fees, see RCW 36.18.010.

### ●Statutory Authorization

**Motor Vehicle License Fee.** Counties collect a flat fee for each motor vehicle licensing transaction (including registrations and certificates of ownership), as required by 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. *RCW 46.01.140, 46.16.0621 through 46.16.071.* As a result of 2000 legislation passed in response to I-695, motor vehicle licenses (for autos, SUVs, motorcycles, and motor homes) are issued for a flat \$30 fee. *RCW 46.16.0621.* These funds go to the state treasurer for distribution.

County auditors are authorized to charge a filing fee of \$3.50 for each license application. Fifty cents of that amount is transmitted to the state treasurer for agent and subagent support. Applicants for certificates of ownership pay an additional \$4 to the auditor. These fees are used 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.*

**Marriage License Fees.** A marriage license fee covers the cost of taking necessary affidavits, filing returns, and indexing. A license is required by the state and must be obtained at least 3 days in advance of matrimony. County auditors may charge a fee of up to \$46 for a marriage license, not including the fees that apply to all documents recorded by the auditor. Of the total \$46, there are mandatory fees of \$8 for the county current expense fund, \$5 for the state for child abuse prevention, and \$10 for the state general fund. That total also includes optional fees of up to \$8 to fund family court and up to \$15 to fund family services.

*RCW 36.18.010, RCW 26.04.160; RCW 26.12.220; RCW 36.22.170.*

**Recording Fees.** Fees are charged for various services such as recording instruments, administering oaths and affidavits, making certified and non-certified copies, recording plats, conducting record searches, and processing tax liens. Fee amounts are set by statute, and the proceeds go to the county's general fund. *RCW 36.18.010.*

A two dollar surcharge is imposed on all recording activities. The first dollar of the surcharge is sent to the state treasurer. The revenue is distributed to counties, half to counties equally and the other half to counties based on population, and is deposited by the county treasurers into a special account titled the auditor's "Centennial Document Preservation and Modernization

Account.” This revenue is used for the preservation of historical county documents. *RCW 36.22.170*. The second half of the two-dollar surcharge is retained by the county in its auditor’s operation and maintenance account, also for the preservation of historical county documents. *RCW 36.22.170*.

**Election Candidate Filing Fees.** People who file for candidacy for most elective offices must pay a filing fee. The fee is determined by the position being filed for and, in some cases, by the annual salary that the position carries. Accordingly, a filing fee of \$1 is charged for declaring candidacy for precinct committee officer and a fee of \$10 is levied for any position with an annual salary of \$1000 or less. A fee is levied equal to 1 percent of the annual salary for any office with a fixed annual salary of more than \$1000 per year. There is no fee charged for positions where there is no compensation, or the compensation is on a per diem or per meeting rate. 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. *RCW 29.15.050*.

**Elections Services Reimbursement.** A city, town, or other taxing district that has a measure or elected position on the ballot is responsible for a proportionate share of the cost when the election is held in conjunction with another election or for the entire cost when the election is not held in conjunction with another election. A county is not responsible for any costs involved in holding such elections. Similarly, the state is responsible for a prorated share of election costs when state offices or measures are voted on in primary or general elections in odd-numbered years. Cities and towns must also pay the expenses of voter registration in their jurisdictions. *RCW 29.13.045; 29.13.047; 29.07.030*.

## Cable TV Franchise Fees

### ●Description

The Cable Communications Policy Act of 1984 established the authority of counties and other local governments to levy franchise fees on cable TV operators. A cable TV franchise fee may not exceed 5 percent of gross revenues. Franchise fee amounts are typically limited to offsetting the actual costs of administering the franchise. Local ordinance or resolution and/or the franchise agreement determine the administration of this revenue source.

### ●Statutory Authorization

*Cable Communications Policy Act of 1984, § 622 (47 U.S.C. § 542); chapter 36.55 RCW.*

## Community Development Permits and Fees

### ●Description

State law and county land use, building, and environmental codes and ordinances require counties to perform certain reviews, process applications, and conduct inspections. A county may charge reasonable fees to cover the costs of performing these functions.

### ●Statutory Authorization

**Planning and Development Fees.** *RCW 82.02.020.*

**Building Code Fees.** *RCW 19.27.100, .110.*

## Impact Fees

### ●Description

Development impact fees are charges placed on new development in unincorporated areas to help pay for various public facilities that serve new development and for other impacts associated with such development.

### ●Statutory Authorization

RCW 82.02.020; chapter 43.21C RCW (State Environmental Policy Act). Impact fees collected under the authority of RCW 82.02.020 must be used within five years of collection.

Counties that plan under the Growth Management Act may impose impact fees on residential and commercial development activity to help pay for certain public facility improvements, including parks, open space, recreation facilities, and road improvements. Revenues must be spent within six years of collection and as specified in an adopted capital facilities plan. *RCW 84.02.050-.090.*

## District Court Fines, Forfeitures, and Fees

### ●Description

District court clerks collect filing fees for cases filed in the courts and the costs, fines, forfeitures, and penalties assessed by the courts in individual cases. 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.*

### ●Statutory Authorization

**Filing Fees – Civil.** RCW 3.62.060 identifies the filing and other fees that district court clerks must charge for civil actions filed in district court. Six dollars of every fee collected for commencement of a civil action in district court goes to the county law library. *RCW 27.24.070.*

**Filing Fees – Criminal, Filed by Cities.** Cities pay filing and other fees per interlocal agreement. *RCW 3.62.070; RCW 39.34.180.*

**Costs, Fees, Fines, Forfeitures, and Penalties Assessed by Court.** The disposition of these is controlled by RCW 3.62.020, and, for cases filed by cities, by RCW 3.62.040. Of the fees, costs, fines, forfeitures and penalties collected by the district court, except parking infractions, 32 percent is remitted to the state treasurer. The remainder and money collected for parking infractions goes to the county current expense fund. Interest on penalties, fines, bail forfeitures, fees, and costs are distributed as follows:

- 25 percent to the state public safety and education account;
- 25 percent to the state judicial information system account;
- 25 percent to the county general fund; and
- 25 percent to the county general fund to fund local courts.

**Warrant Fees.** The court may impose costs upon a defendant for preparing and serving a warrant for failure to appear. The cost may not exceed \$100. *RCW 10.01.160.*

**Deferred Prosecution Costs.** The court may require payment of the costs of a deferred prosecution program, not to exceed \$150. *RCW 10.01.160.*

**Dispute Resolution Surcharge.** A county legislative authority may impose a surcharge of up to \$10 on each civil filing in district court and a \$15 surcharge for small claims court filings to fund dispute resolution centers. *RCW 7.75.035.*

**Civil Infractions.** The courts collect fines for traffic infractions, parking infractions, and other infractions. *RCW 3.62.020, RCW 7.80.120, RCW 46.63.110.* Cities must pay filing fees for traffic infractions filed in district court, per interlocal agreement. *RCW 3.62.070.*

**Misdemeanor Incarceration.** The courts may impose a cost on a defendant convicted of a misdemeanor or gross misdemeanor not to exceed \$50 per day of incarceration, as long as the courts find that the defendant has the ability to pay the costs. *RCW 10.01.160.*

**Public Safety and Education Assessment.** A public safety and education assessment of 60 percent is imposed on all fines, forfeitures, and penalties assessed, other than parking infractions. There is an additional public safety and education assessment equal to 50 percent of this 60 percent public safety and education assessment. Both assessments are remitted to the state treasurer to be deposited in the Public Safety and Education Account for purposes of promoting various public safety and education activities as outlined in *RCW 43.08.250.* *RCW 3.62.090.*

## Sheriff and Jail

### ●Description

The county sheriff provides various law enforcement services for county citizens. Individuals or jurisdictions receiving services from the sheriff not required by state statute are charged a fee. State law also allows a fee to be charged for some of the required services.

### ●Statutory Authorization

**Gun Permits.** Permits are required for carrying a concealed pistol for the purpose of protection or while engaged in business, sport, or traveling. Permit fees are set by state statute. *RCW 9.41.070.*

**City Contract Reimbursement.** Many cities and towns contract with their county sheriff for law enforcement services. The amount of reimbursement for those services is determined by interlocal agreement. *RCW 39.34.080.*

**Immigration.** Many county jails lease bed space to the U.S. Immigration and Naturalization Service to house accused and convicted defendants for violations of immigration law. The lease rate is negotiated with the INS on a per bed rate.

**Jail Services.** Cities are responsible for the costs of incarcerating in county jails persons arrested by city police for misdemeanor and gross misdemeanor offenses committed within their jurisdiction. The costs are determined by interlocal agreement. *RCW 39.34.180.*

**Various Sheriff Fees.** The sheriff's office collects fees for conducting specific official services. Those services include serving summons to appear, serving various writs and warrants, making copies, conducting sales, posting notices, fingerprinting, criminal history checks, and others. The fees for these services are set by statute, although the county legislative authority may set higher fees to cover the costs of administration and operation. *RCW 36.18.040.*

## ●Methodology for Calculating Revenue

**Gun Permits.** Permit fees are set by statute (RCW 9.41.070) as follows:

- Original application is \$36 plus charges imposed by the FBI. Of that \$36, \$15 goes to the state general fund, \$14 goes to the issuing authority for the purpose of enforcing gun permit laws, \$4 goes to the agency taking the fingerprints, and \$3 goes to the firearms range account in the state general fund.
- Renewal application is \$32. Fifteen dollars goes to the state general fund, \$14 goes to the issuing authority for enforcement of gun permit laws, and \$3 goes to the firearms range account.
- Late fee for renewals after 90 days of the expiration of the permit is \$10. Of that, \$3 goes to the state wildlife fund for printing and distributing pamphlets on the legal limits of the use of firearms, firearm safety, and the preemptive nature of state law, and \$7 goes to the issuing authority for the purpose of enforcing gun permit laws.
- Fee for lost or damaged licenses is \$10, all of which goes to the issuing authority.

**Various Sheriff Fees.** State law sets the various fees. The revenue from these fees is linked to activity initiated by citizens, and thus is not controllable by the sheriff's office.

## Corrections and Alternatives Fees

### ●Description

The corrections function has several programs that generate revenues. Some are required by state statute, while others are optional. All of these sources serve to offset the growing costs of incarceration by having the convicted defendant pay for all or a part of the costs.

### ●Statutory Authorization

**Jail Industries Program.** A county may establish a jail industries program using jail inmates at worksites within jails or outside jails as may be directed by the county legislative body. Inmates participating in the program may earn wages from which deductions may be made to offset the costs of implementing and maintaining the program and the costs of incarceration. *Chapter 36.110 RCW.*

**Probation.** The probation program monitors compliance with the court-ordered conditions of probation and enforces court orders. The county negotiates a rate with the Department of Corrections for funds to offset the costs of probation. The county may also impose a fee of up to \$100 per month on offenders in the probation program, based on their ability to pay. *RCW 9.95.204, 9.95.214.*

**Electronic Home Confinement.** Electronic home confinement provides a custodial alternative that requires electronic monitoring of an offender serving a sentence of partial confinement at his or her residence. These programs allow for a more judicious use of jail space. If able to, the offender pays for the cost of the equipment and the administration of the program. *RCW 9.95.210.*

**Deferred Prosecution.** Deferred prosecution monitors compliance with the conditions imposed by a deferred prosecution order, which allows an offender diagnosed with alcohol addiction to undergo a two-year treatment program. Upon successful completion of the program, the charge is dismissed. Although the program is used primarily for DUI cases, it may also be applied to other specified offenses and for offenders with drug addiction and mental health problems. Costs not to exceed \$150 may be imposed on a defendant upon entry into the deferred prosecution program for the purpose of administering the program. *RCW 10.01.160, chapter 10.05 RCW.*

## Other Permits and Fees

### ●County Clerk's Fees – Superior Court

The clerk's fees are established by statute. The fees reflect the workload of the superior court. Forty-six percent of the fees collected are remitted to the state treasurer for deposit into the public safety and education account. Twelve dollars of every new probate or civil filing fee goes to support the county law library. The library board of trustees, with approval of the county legislative authority, may increase that \$12 amount up to \$15 upon a showing of need. The 46 percent is calculated before the \$12 is disbursed to the library. Some fees are not subject to the 46 percent remittance to the state.

**Statutory Authorization.** *RCW 36.18.020, 36.18.025, 27.24.070, 36.18.012, 36.18.014; see also AGO1994 No. 15.*

### ●Juvenile Fees

The juvenile services function has three types of fees: (1) reimbursement of attorney fees by parents, based on their ability to pay; (2) reimbursement of detention costs by parents or guardians (based on ability to pay) and other counties (at rate not to exceed costs); and (3) fees providing part of the funds to operate the Victim Assistance Program administered by the prosecuting attorney's office, at a rate of \$100 if the crime(s) include(s) a felony or gross misdemeanor, or \$75 for one or more misdemeanors.

**Statutory Authorization.** *RCW 13.40.145, 13.16.085, 7.68.035.*

### ●Coroner's Fees

The county coroner collects fees for some of the services he or she performs. Where a district court judge performs the duties of coroner, pursuant to RCW 36.24.160, the judge is entitled to the same fees. In a county of 250,000 or more where a medical examiner performs the duties of the coroner, the medical examiner is, presumably, also entitled to the same fees.

**Statutory Authorization.** *RCW 36.18.030.*

### ●Parks and Recreation Fees

Counties charge fees for various regional park services, such as for admission, parking, or boat launching, and for recreation programs. These funds are often dedicated to parks operation. Counties that establish park and recreation boards must establish a park and recreation fund into which park and recreation revenues must be placed.

**Statutory Authorization.** *RCW 36.68.070, 36.68.090.*

## ● Fees in "Special Cases"

RCW 36.18.050 provides that county officers who perform services for which no fees are provided in chapter 36.18 RCW ("Fees of County Officers") are to be allowed fees "similar and equal to" those fees allowed the officer "for services of the same kind for which allowance is made" in that chapter.

## ● Treasurer's Fees

The county treasurer receives a fee of 5 percent of interest earnings with an annual limit of \$50 on each investment transaction for other jurisdictions. The treasurer is also authorized to collect an amount up to \$4 per parcel for handling special assessments, fees, rates, or charges. The treasurer is required to collect a specified fee for preparing and certifying documents. *RCW 36.29.020, 36.29.180, 36.18.045.*

If the county treasurer accepts credit cards, debit cards, and other electronic communications payments, the treasurer may charge a fee to cover the cost of processing the transaction. *RCW 36.29.190.*

## Investment Interest

### ● Description

The county treasurers across the state invest excess cash in various financial instruments that are "eligible" investments for public funds. For a complete list, see the Web site of the Office of the State Treasurer at [http://www.wa.gov/tre/elig\\_inv.htm](http://www.wa.gov/tre/elig_inv.htm). Note that, with the exception of funds that are subject to the arbitrage provisions of section 148 of the Internal Revenue Code, mutual funds are not permitted investments, even if the individual holdings of the mutual fund are all eligible investments. *RCW 39.59.030.*

**Statutory Authorization.** *RCW 36.29.020, RCW 39.59.020, RCW 43.84.080, RCW 43.250.040.*