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HOUSE BILL 1680

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State of Washington

68th Legislature

2023 Regular Session

By Representative Kretz

1 AN ACT Relating to protecting intercounty rural library  
2 districts' ability to fund public library services through exclusion  
3 from tax increment financing apportionment; and amending RCW  
4 39.114.010 and 39.114.050.

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

6 **Sec. 1.** RCW 39.114.010 and 2021 c 207 s 1 are each amended to  
7 read as follows:

8 The definitions in this section apply throughout this chapter  
9 unless the context clearly requires otherwise.

10 (1) "Assessed value of real property" means the valuation of  
11 taxable real property as placed on the last completed assessment roll  
12 prepared pursuant to Title 84 RCW.

13 (2) "Increment area" means the geographic area within which  
14 regular property tax revenues are to be apportioned to pay public  
15 improvement costs, as authorized under this chapter.

16 (3) "Increment value" means 100 percent of any increase in the  
17 true and fair value of real property in an increment area that is  
18 placed on the tax rolls after the increment area is created. The  
19 increment value shall not be less than zero.

20 (4) "Local government" means any city, town, county, port  
21 district, or any combination thereof.

1 (5) "Ordinance" means any appropriate method of taking  
2 legislative action by a local government, including a resolution  
3 adopted by a port district organized under Title 53 RCW.

4 (6) "Public improvement costs" means the costs of:

5 (a) Design, planning, acquisition, required permitting, required  
6 environmental studies and mitigation, seismic studies or surveys,  
7 archaeological studies or surveys, land surveying, site preparation,  
8 construction, reconstruction, rehabilitation, improvement, and  
9 installation of public improvements and other directly related costs;

10 (b) Relocating, maintaining, and operating property pending  
11 construction of public improvements;

12 (c) Relocating utilities as a result of public improvements;

13 (d) Financing public improvements, including capitalized interest  
14 for up to six months following completion of construction, legal and  
15 other professional services, taxes, insurance, principal and interest  
16 costs on general indebtedness issued to finance public improvements,  
17 and any necessary debt service reserves;

18 (e) Expenses incurred in revaluing real property for the purpose  
19 of determining the tax allocation base value by a county assessor  
20 under chapter 84.41 RCW and expenses incurred by a county treasurer  
21 under chapter 84.56 RCW in apportioning the taxes and complying with  
22 this chapter and other applicable law. For purposes of this  
23 subsection (6)(e), "expenses incurred" means actual staff and  
24 software costs directly related to the implementation and ongoing  
25 administration of increment areas under this chapter; and

26 (f) Administrative expenses and feasibility studies reasonably  
27 necessary and related to these costs, including related costs that  
28 may have been incurred before adoption of the ordinance authorizing  
29 the public improvements and the use of tax increment financing to  
30 fund the costs of the public improvements.

31 (7) "Public improvements" means:

32 (a) Infrastructure improvements owned by a local government  
33 within or outside of and serving the increment area that include:

34 (i) Street and road construction;

35 (ii) Water and sewer system construction and improvements;

36 (iii) Sidewalks and other nonmotorized transportation  
37 improvements and streetlights;

38 (iv) Parking, terminal, and dock facilities;

39 (v) Park and ride facilities or other transit facilities;

40 (vi) Park and community facilities and recreational areas;

1 (vii) Stormwater and drainage management systems;

2 (viii) Electric, broadband, or rail service;

3 (ix) Mitigation of brownfields; or

4 (b) Expenditures for any of the following purposes:

5 (i) Purchasing, rehabilitating, retrofitting for energy  
6 efficiency, and constructing housing for the purpose of creating or  
7 preserving long-term affordable housing;

8 (ii) Purchasing, rehabilitating, retrofitting for energy  
9 efficiency, and constructing child care facilities serving children  
10 and youth that are low-income, homeless, or in foster care;

11 (iii) Providing maintenance and security for the public  
12 improvements; or

13 (iv) Historic preservation activities authorized under RCW  
14 35.21.395.

15 (8) "Regular property taxes" means regular property taxes as  
16 defined in RCW 84.04.140, except: (a) Regular property taxes levied  
17 by port districts or public utility districts to the extent necessary  
18 for the payments of principal and interest on general obligation  
19 debt; ~~(and)~~ (b) regular property taxes levied by the state for the  
20 support of the common schools under RCW 84.52.065. Regular property  
21 taxes do not include excess property tax levies that are exempt from  
22 the aggregate limits for junior and senior taxing districts as  
23 provided in RCW 84.52.043. "Regular property taxes" does not include  
24 excess property taxes levied by local school districts; and (c)  
25 regular property taxes levied by intercounty rural library districts  
26 under RCW 27.12.150.

27 (9) "Tax allocation base value" means the assessed value of real  
28 property located within an increment area for taxes imposed in the  
29 year in which the increment area is first designated.

30 (10) "Tax allocation revenues" means those revenues derived from  
31 the imposition of regular property taxes on the increment value.

32 (11) "Taxing district" means a governmental entity that levies or  
33 has levied for it regular property taxes upon real property located  
34 within a proposed or approved increment area.

35 **Sec. 2.** RCW 39.114.050 and 2021 c 207 s 5 are each amended to  
36 read as follows:

37 Apportionment of taxes shall be as follows:

38 (1) Commencing in the calendar year following the passage of the  
39 ordinance, the county treasurer shall distribute receipts from

1 regular property taxes imposed on real property located in the  
2 increment area as follows:

3 (a) Each taxing district shall receive that portion of its  
4 regular property taxes produced by the rate of tax levied by or for  
5 the taxing district on the tax allocation base value for that  
6 increment area;

7 (b) The local government that designated the increment area shall  
8 be entitled to receive an additional amount equal to the amount  
9 derived from the regular property taxes levied by or for each taxing  
10 district upon the increment value within the increment area. The  
11 local government that designated the increment area shall receive no  
12 more than is needed to pay or repay costs directly associated with  
13 the public improvements identified in the approved ordinance and may  
14 agree to receive less than the full amount of this portion, as long  
15 as bond debt service, reserve, and other bond covenant requirements  
16 are satisfied, in which case the balance of these tax receipts shall  
17 be allocated to the taxing districts that imposed regular property  
18 taxes, or have regular property taxes imposed for them, in the  
19 increment area for collection that year in proportion to their  
20 regular tax levy rates for collection that year. The local government  
21 may request that the treasurer transfer this additional portion of  
22 the property taxes to its designated agent. The portion of the tax  
23 receipts distributed to the local government or its agent under this  
24 subsection (1)(b) may only be expended to finance public improvement  
25 costs associated with the public improvements financed in whole or in  
26 part by tax increment financing; and

27 (c) This section shall not apply to any receipts from the regular  
28 property taxes levied by:

29 (i) The state for the support of the common schools under RCW  
30 84.52.065;

31 (ii) Local school district excess levies; ~~((and))~~

32 (iii) Port districts or public utility districts specifically for  
33 the purpose of making required payments of principal and interest or  
34 general indebtedness; and

35 (iv) Intercounty rural library districts under RCW 27.12.150.

36 (2) The apportionment of tax allocation revenues must cease when  
37 the taxing district certifies to the county assessor in writing that  
38 tax allocation revenues are no longer necessary or obligated to pay  
39 public improvement costs, but in no event shall the apportionment of  
40 tax allocation revenues continue beyond the sunset date established

1 pursuant to RCW 39.114.020(1)(e). Any excess tax allocation revenues  
2 and earnings on the tax allocation revenues remaining at the time the  
3 apportionment of tax receipts terminates must be returned to the  
4 county treasurer and distributed to the taxing districts that imposed  
5 regular property taxes, or had regular property taxes imposed for it,  
6 in the increment area for collection that year, in proportion to the  
7 rates of their regular property tax levies for collection that year.

8 (3) The apportionment and distribution of portions of the regular  
9 property taxes levied by or for each taxing district upon the  
10 increment value within the increment area pursuant to and subject to  
11 the requirements of this chapter is declared to be a public purpose  
12 of and benefit each such taxing district.

13 (4) The apportionment and distribution of portions of the regular  
14 property taxes levied by or for each taxing district upon the  
15 increment value within the increment area pursuant to this section  
16 shall not affect or be deemed to affect the rate of taxes levied by  
17 or within any such taxing district or the consistency of any such  
18 levies with the uniformity requirement of Article VII, section 1 of  
19 the state Constitution.

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