City of Tukwila

Allan Ekberg, Mayor

INFORMATIONAL MEMORANDUM

TO: **Finance Committee**

FROM: **Peggy McCarthy, Finance Director**

CC: **Mayor Ekberg**

DATE: **February 6, 2019**

SUBJECT: **Sales Tax Mitigation Update**

ISSUE

Provide an update on sales tax mitigation payments and offsets.

BACKGROUND

When the State moved to destination-based sales tax in 2008, referred to as streamlined sales tax or SST, it was determined that those cities sustaining a negative financial impact from this legislation, including the City of Tukwila, would receive mitigation funds from the State. In 2018, State legislation was enacted to end the payment of these mitigation funds effective after the September 2019 payment. The City receives approximately $288 thousand quarterly or $1.15 million annually in state streamlined sales tax mitigation funds. Another piece of legislation, the Washington State Marketplace Fairness Act, became effective January 1, 2018 and requires remote sellers and other entities that meet certain statutory criteria to collect and remit sales or use tax.

DISCUSSION

The potential increased sales tax collections from online businesses has served as one of the State's justifications for eliminating the SST mitigation funds. However, the collections from voluntary remitters and from the Marketplace Fairness Act for the City of Tukwila have been a fraction of the mitigation payments, as illustrated in the schedule below.

		Offsets to Sales Tax Mitigation Payments				**Sales Tax**	**Net**
Collection Qtr	Rec'd By City	Voluntary	Marketplace Fairness Act	TOTAL	(a)	**Mitigation Allocation**	**Mitigation Rec'd**
Q1 2018	Jun 2018	$ 11,576	$ 16,584	$ 28,160	10%	$ 287,346	$ 259,185
Q2 2018	Sep 2018	16,777	21,172	37,948	13%	287,346	249,397
Q3 2018	Dec 2018	18,605	24,050	42,656	15%	287,346	244,690
Q4 2018	Mar 2019 *estimate*	*20,000*	*30,000*	*50,000*	17%	287,346	*237,346*
	TOTAL	$ 66,958	$ 91,806	$ 158,764		$ 1,149,382	$ 990,618

(a) Offsets as a percentage of mitigation allocation.

The City has been involved in lobbying efforts recommending to the Washington State Legislature that streamlined sales tax mitigation payments continue to be funded for those cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. For more information on these efforts, a letter sent to the Washington State Department of Revenue by the Streamlined Sales Tax Mitigation Executive Committee on August 31, 2018 is attached to this memo.

RECOMMENDATION
Presentation is for information only.

ATTACHMENTS
SST Mitigation Committee Cover letter and Report

AWC
ASSOCIATION OF WASHINGTON CITIES
1076 Franklin Street SE • Olympia, WA 98501-1346

August 31, 2018

Mr. David Duvall
Legislative Liaison
Washington State Department of Revenue
PO Box 47450
Olympia, Washington 98504-7450

Re: SSB 5883 Streamlined Sales Tax Report

Dear Mr. Duvall:

On behalf of the SST Mitigation Executive Committee, I am submitting the group's report and recommendation. We respectfully request the report be included as an appendix to the Department of Revenue (DOR) report on impacts by the State's implementation of Marketplace Fairness, required by **SSB 5883 Sec. 136 (3),** as agreed to by DOR and cities.

The SST Mitigation Executive Committee included representatives of cities, the business community, ports, the Washington State Department of Commerce, and legislative staff.

The Committee recommends that the Washington State Legislature should continue to fund streamlined sales tax mitigation payments for the limited number of cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. Ongoing data on the WA Marketplace Fairness Act and voluntary compliance revenue collections in comparison to streamlined sales tax mitigation payments should inform the continuation of streamlined sales tax mitigation payments in future biennia.

We look forward to the Department of Revenue's final report. We believe this report meets the goals of the proviso in **Sec. 136 (3) of SSB 5883** and the report addresses this important policy tool for sales tax fairness.

Sincerely,

Peter B. King
Chief Executive Officer

Cc: Vikki Smith, Director, Department of Revenue
Victoria Lincoln, AWC, co-chair of Executive Committee
Derek Matheson, City of Kent, co-chair of Executive Committee

360.753.4137 • 800.562.8981 • wacities.org

2018

SSB 5883 Streamlined Sales Tax Report

Prepared by the SST Mitigation Executive Committee
August 31, 2018

Executive Summary

This report was prepared in response to 2017-19 Operating Budget, SSB 5883, Sec. 136(3) directing the Department of Revenue (DOR) to evaluate sections 201-213 of EHB 2163 signed into law in the 2017 legislative session.

The SST Mitigation Executive Committee met between December 2017 and August 2018 and agreed to a single recommendation:

- The Washington State Legislature should continue to fund streamlined sales tax mitigation payments for the limited number of cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. Ongoing data on the WA Marketplace Fairness Act and voluntary compliance revenue collections in comparison to streamlined sales tax mitigation payments should inform the continuation of streamlined sales tax mitigation payments in future biennia.

The Committee looked at and did not approve four other options:

1. Expand existing tax authority;
2. Provide new tax authority;
3. Reset Land Use (rezoning); and
4. No action.

Overview

The study in Sec. 136(3) of SSB 5883 directed DOR to examine and report back on two core issues:

- Analysis of revenue gains under remote sales tax fairness vis-à-vis SST Mitigation; and
- Consideration of online sales and streamlined sales tax mitigation trends for areas with a significant concentration of warehousing distribution and manufacturing centers.

The SST Mitigation Executive Committee felt the study, of the second core issue as stated above, should involve a review of the impacts and how to best address them. DOR believed the cities would be better positioned to lead this portion of the study, and DOR would include the cities' recommendations in the report.

The city-convened workgroup, which became the SST Mitigation Executive Committee, consisted of:

- Cities;
- Association of Washington Cities and other city representatives;
- Chamber of Commerce; and
- Ports of Seattle and Tacoma.

The Committee reviewed:

- What is at stake in the most affected communities;
- History;
- Legal challenges;
- What other states are doing; and
- Alternatives for moving forward.

In making its recommendations, and selecting mitigation payments as the preferred option, the SST Mitigation Executive Committee relied on the following guiding policy principles:

1) Valuing the economic model that makes Washington a critical player in international trade, manufacturing, warehousing, and the location of distribution centers;
2) Ensuring local jurisdictions can continue to make land use, zoning, infrastructure investment, and economic development planning decisions that support this model;
3) Attempting to hold local communities harmless, to the maximum extent practical. Local communities built around a previous, origin-based-sourcing model of local sales tax were simply living by and following the rules put in place by the State of Washington;
4) Attempting to minimize unfair or disproportionate tax burdens on businesses that have followed those same rules and had nothing to do with the tax-policy decision made by the state;
5) Recognizing that local elected officials should not be asked to disproportionately bear the burden of a fundamental change in tax policy at the state level;
6) Asking the State of Washington to continue to follow, and recognize, a system and structure of Mitigation Payments established under SSB 5089, Laws of 2007 – one that is, in fact, working as intended.

Recommendation: Continue Limited Mitigation

The SST Mitigation Executive Committee met between December 2017 and August 2018 and agreed to a single recommendation:

- The Washington State Legislature should continue to fund streamlined sales tax mitigation payments for the limited number of cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. Ongoing data on the WA Marketplace Fairness Act and voluntary compliance revenue collections in comparison to streamlined sales tax mitigation payments should inform the continuation of streamlined sales tax mitigation payments in future biennia.

The Committee looked at and did not approve four other options:

1. Expand existing tax authority;
2. Provide new tax authority;
3. Re-set Land Use (rezoning); and
4. No action.

SST Mitigation Executive Committee Membership

The Committee membership included members from the affected cities and business community, The Northwest Sea Port Alliance. The Association of Washington Cities and the City of Kent served as co-chairs. See Exhibit A for complete list of committee members.

Introduction

What is at Stake

Washington State's economy relies significantly on trade, which is facilitated by the warehousing distribution and manufacturing centers in the impacted cities. According to the March 2015 PSRC Industrial Lands Report, the Puget Sound regional industrial land area serves as a significant economic engine for the regional and state economy.

- 28,615 net acres of industrial-zoned and designated lands spread across four counties, 65 jurisdictions, and military and tribal lands;
- In 2012, total wages paid out by industrial activities on industrial lands were $24.4 billion, or 23.2 percent of all wages paid out in the region in 2012;
- Estimated state tax revenues generated by industrial activities on industrial lands totaled over $2.25 billion in 2012;
- Kent-Renton Subarea Profile;
    - 5,970 acres (8 percent of Region's Industrial Land)
    - 49,300 industrial jobs (10 percent of Region's jobs)
    - 14,500 non-industrial jobs
    - Ownership by parcel area (Private – 91 percent; Public – 9 percent)
    - Average parcel size is 4.2 acres.
    - Specialization – Aerospace, Wholesaling, and Transportation Distribution and Logistics (TDL)

The PRSC report also included estimated 2012 sales tax gains and losses for 10 selected cities in the Puget Sound area attributed to the change in sourcing. These estimates were compiled based on information provided by the Washington State Department of Revenue, the Association of Washington Cities, and Community Attributes, Inc.

The estimated loss for the City of Kent was $12.7 million. The City of Kent's FY 2017 SST Mitigation payments only represent approximately $4.9 million, or 39 percent, of the actual estimated sourcing losses experienced by the City. This report also reflected the following:

- A significant sourcing loss for one city which did not receive any SST mitigation
- A significant sourcing gain for two cities which received SST mitigation
- FY 2017 SST mitigation payments exceeding sourcing losses for one city

The Committee believes that these three observations reflect potential errors with respect to estimated 2012 sourcing losses rather than in the calculation of FY 2017 mitigation payments based on the following:

- Pursuant to RCW 82.14.500, the Department of Revenue determined sourcing losses by analyzing and comparing data from tax return information and tax collections for each local taxing jurisdiction before and after July 1, 2008, on a calendar quarter basis. This was an extensive process involving review and input by each respective mitigated jurisdiction.

- These measurements were made during the trough of the Great Recession and were not adjusted for subsequent recovery, growth and potential expansion of manufacturing, warehousing and distribution activities within the mitigated jurisdictions. Therefore, the expectation is that the actual sourcing losses would increase during periods subsequent to July 1, 2008.

Therefore, the Committee felt that anomalies with respect to 2012 sourcing loss estimates included in this report do not diminish the expectation that mitigation payments received are less than the actual sourcing losses experienced by the mitigated cities included in this report.

Prior to the implementation of streamlined sales tax in 2008, jurisdictions received sales tax revenue as general fund revenue. When streamlined sales tax mitigation payments began, many jurisdictions used the mitigation payments to backfill the loss of general fund revenues. Some of the largest receivers of streamlined sales tax mitigation payments continue to allocate this funding to their general fund to provide basic services, including law enforcement services. For these jurisdictions, eliminating these payments could result in a significant impact on city services and a need to replace general fund revenues.

History

In the 1992 Quill Corp. v. North Dakota decision the U.S. Supreme Court held that states cannot require retailers with no in-state physical presence (nexus) to collect and remit sales and use tax. The U.S. Congress did not respond by passing legislation to give authority to require collection to states. In response, in 2000, a number of states and stakeholders formed the Streamlined Sales and Use Tax Project which was designed to simplify, modernize and standardize sales and use tax laws, definitions, and practices.

In 2002, a collection of states formed the Streamlined Sales and Use Tax Agreement (SSUTA). The agreement would become effective when 10 states representing at least 20 percent of the population became substantially compliant. One of the main components of SSUTA was to make the "sourcing" of sales tax based on the final destination of the product. This was at odds with half the states, including Washington, that used an origin-based system.

In 2003, the Washington State Legislature adopted SB 5783, directing the Department of Revenue to undertake a comprehensive study on the impacts of the sourcing change. DOR's study found that 120 cities, counties, transit agencies, and Public Facility Districts would be negatively impacted by the change in sourcing.

In 2006, a compromise was made between the jurisdictions that would be negatively impacted with those that would be positively impacted. The resulting compromise was enacted in SSB 5089 and signed into law in 2007 with the promise of the legislature funding full mitigation. Mitigation was a critical step to the upkeeping of warehousing, distribution centers, and industrial areas throughout the state. The mitigation strategy was designed to provide payments until such a time as the gains met or exceeded the losses due to the sourcing change.

Legal Issues and Challenges

The passage of SSB 5089 was intended as a step in implementing sales tax collection requirements on internet sales. Under the national agreement, companies could "voluntarily" collect sales tax on behalf of the member states. If companies chose to "voluntarily" comply they would receive in return: 1) vendor compensation or financial assistance in the costs of collection; and 2) liability protection against back taxes in the event the state came under legal question.

The negatively-impacted jurisdictions were hit particularly hard. The Legislature began appropriating approximately $50 million per biennium in streamlined sales tax mitigation based on 2008 estimates. The actual amount of mitigation was determined by actual loss of sales and use tax, reduced by voluntary compliance. If the Legislature acted on requiring internet retailers to collect and remit sales and use tax, the additional tax collection would be attributed to mitigation.

As of 2017, there were 57 jurisdictions, including 49 cities, receiving mitigation. Initial revenue estimates resulting from new sales tax collections provided by EHB 2163 indicate that at least 11 cities receiving mitigation will be at a loss when attributing the new revenue source to the mitigation calculation.

The Washington State law was based on a case involving Colorado information reporting requirements, Direct Marketing Association v. Brohl, that provides that the individual taxpayer is responsible for paying tax directly to the jurisdiction or through the intermediary. If the intermediary does not collect and remit the tax then they would be required to report sales and amount due to the taxing authority. In the concurring statement, Justice Kennedy wrote "the legal system should find an appropriate case for this Court to reexamine Quill."

The U.S. Supreme Court accepted a legal challenge to Quill, South Dakota v. Wayfair, heard in April 2018. The challenge is whether a seller without a physical presence is required to collect and remit taxes. The ruling in Brohl allows for jurisdictions that have destination-based taxes to collect taxes from either voluntary compliance from sellers or mandatory compliance from payers.

On June 21, 2018 in South Dakota v. Wayfair, Inc., the U.S. Supreme Court reversed the Quill Corporation v. North Dakota (No. 91-194) decision which required that retailers have a physical presence in the state in order for the state to require collection and remittance of sales tax.

Review of Other States

The Committee reviewed options that other states implemented in response to changes in sales tax. Each state was guided by the relationship between the cities and state and cities' local authority. Washington's heavy dependence on sales tax limited the options and increased impacts on local governments. Most states took one of three actions: 1) increased taxes at the state level; 2) closed tax loopholes; or 3) provided authority, if the authority did not already exist, to the local level to increase taxes.

Minnesota:

- Cities have authority to raise local taxes;
  - Raise the local portion of the base [example .005 to .006.]
- Created new classes of taxable items
  - Added candy
  - Closed loopholes

Alabama:

- Multi-tier tax system
  - Sales
  - Business
  - Corporate Income
- Chose to increase base rates such as capital gains and utilities

California:

- Cities have a base rate of 1 percent and can raise to 2 percent;
  - City option
- Changed nexus standards to tax servers

Arkansas:

- Raised taxes.
  - Sales and Use
  - Income
  - Gross receipts [similar to Washington's B&O]

Georgia:

- Allows for taxes on items intended for resale
  - This allows for items to be taxed at the warehouse.
- Multi-tier tax system
  - Capital gains
  - Personal income
  - Sales tax
  - Excise tax
  - Corporate income tax
  - Property tax

Discussion Topics & Process

As stated in the charter (Appendix A), the SST Mitigation Executive Committee determined it would meet the requirements of SSB 5583 Sec. 136(3) by discussing the following topics:

- What is at stake for the communities most affected;
- History;
- Legal issues and challenges; and
- How have other states reacted.

The Committee agreed to approach each topic:

- With a member presentation;
- Discussion of topic to evaluate advantages and/or challenges; and
- Develop options or recommendations by consensus, if possible and by a majority with a minority report on select topics if a consensus could not be reached.

SST Mitigation Executive Committee Recommendation and Alternative Options

The SST Mitigation Executive Committee members felt strongly that the State should continue to fund streamlined sales tax mitigation payments for the limited number of cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. Ongoing data on the WA Marketplace Fairness Act and voluntary compliance revenue collections in comparison to streamlined sales tax mitigation payments should inform the continuation of streamlined sales tax mitigation payments in future biennia. Committee members noted that this option would not require additional legislation.

1) The State of Washington made this policy decision in the best interest of the state, recognizing there was an obligation to assist impacted local governments. The State should continue to uphold the original agreement until local governments can recover their losses through increased sales tax collections.
2) The number of jurisdictions needing mitigation continues to drop. The initial study of SST destination-based-sourcing by the Department of Revenue projected that as many as 120 cities, counties, transit agencies, and Public Facility Districts would experience adverse fiscal impacts. The actual number of mitigated jurisdictions was 86 in 2009, had narrowed to 57 in the first quarter of 2017, and then compressed even further with the projected remote sales tax revenue projections under EHB 2163 – to 11 jurisdictions. Initial revenue collections indicate that some of those 11 may no longer need mitigation payments, or may not need them for more than a biennium or two. There were 26 jurisdictions (all cities) that collectively received \$2.5 million on June 29, 2018, representing the first mitigation payment incorporating WA Marketplace Fairness Act revenues. This included 10 cities that each received at least \$20,000 for a collective total of \$2.4 million.
3) A general fund allocation continues to help the dwindling number of adversely-impacted jurisdictions cope with the aftereffects of SST and destination-based sourcing, without placing new burdens on businesses, ports, truckers/shippers, industrial office properties, etc.

4) A general fund allocation helps local jurisdictions, counties, regions and the entire State of Washington continue to support a land use and economic development model built over decades. That economic model relies heavily on international trade and entire complexes of manufacturing, warehousing, and distribution centers that support farm-to-market product movements, shipping and trucking of goods, port imports/exports, etc.

In making its recommendations, and selecting mitigation payments as the preferred option, the SST Mitigation Executive Committee relied on the following guiding policy principles:

1) Valuing the economic model that makes Washington a critical player in international trade, manufacturing, warehousing, and the location of distribution centers;
2) Ensuring local jurisdictions can continue to make land use, zoning, infrastructure investment, and economic development planning decisions that support this model;
3) Attempting to hold local communities harmless, to the maximum extent practical. Local communities built around a previous, origin-based-sourcing model of local sales tax were simply living by and following the rules put in place by the State of Washington;
4) Attempting to minimize unfair or disproportionate tax burdens on businesses that have followed those same rules and had nothing to do with the tax-policy decision made by the state;
5) Recognizing that local elected officials should not be asked to disproportionately bear the burden of a fundamental change in tax policy at the state level;
6) Asking the State of Washington to continue to follow, and recognize, a system and structure of Mitigation Payments established under SSB 5089, Laws of 2007 – one that is, in fact, working as intended.

Continue Some Form of SST Mitigation Payments

SST Mitigation Executive Committee members discussed an option of continuing to mitigate destination-based-sourcing impacted jurisdictions through the State Operating Budget. Such an option could be structured either as a budget-cycle-to-budget-cycle mitigation approach, or through a statutory mechanism utilizing the State Operating Budget.

The option to utilize the State Operating Budget would involve a state sales tax credit mechanism. It would require legislation and would further require a majority of the Legislature to see the benefits of such legislation. A state sales tax credit could be structured in a way that assisted only the remaining handful of local jurisdictions that continue to be adversely impacted by destination-based sourcing – even with the arrival of new remote sales tax revenues.

The option to continue SST mitigation payments would not require legislation but would require impacted jurisdictions and groups allied with them (e.g., ports, NAIOP, Washington Trucking Association), to mount advocacy efforts annually to keep the Operating Budget mitigation in effect.

While Committee members saw value in having a structural, statutory mechanism such as a state sales tax credit to address the SST Mitigation issue, there was a concern that such an approach would be extremely difficult to enact. It would require many state legislators whose districts are either minimally affected or not at all affected by the destination-based-sourcing changes to agree to this change.

Expand Existing Taxing Authority Granted to Cities to Cover Ongoing SST Sourcing Losses

The Committee also discussed the alternative of addressing ongoing SST local-sourcing losses by recommending that certain adversely impacted cities be granted new taxing authority.

One example of a possible expansion in authority cited by Committee members involved the utility tax. Under current state law, cities are provided with authority to impose a tax of up to 6 percent on three utilities (natural gas, electricity, telecommunications) – and to go beyond that 6 percent threshold requires a public vote. There is a "nexus" argument that, since facilities accommodating warehousing, distribution centers, manufacturing and wholesaling are significant users of utilities, it makes sense to ask those users to pay a higher level of utility taxes.

The Committee identified several potential benefits of this type of "expand existing taxing authority" alternative: 1) avoids impact to state general fund; 2) could help keep adversely-impacted local jurisdictions whole in terms of overall revenues; and 3) a jurisdiction could draw some logical nexus between the types of businesses being taxed and the application of the tax itself.

However, Committee members also raised several concerns with this alternative which, in the view of the Committee, outweigh the perceived benefits. These included:

1) Such an alternative would force local jurisdictions to accept tax-policy decisions that place new burdens on area businesses. Local elected officials who had nothing to do with the local sales tax sourcing decision in the first place would be asked to play the role of "bad cop";
2) In many cases, new tax burdens would be placed upon some of the most productive and important industry sectors in a local community – if not the entire state. For example, existing data shows that the cluster of warehousing distribution and manufacturing facilities in the Green River Valley comprise 12.5 percent (one-eighth) of the entire state Gross Domestic Product and are a pivotal component of the international trade that connects Washington's ports to overseas nations in the Asia-Pacific and throughout the world;
3) Local elected officials pointed out that jurisdictions imposing higher taxes to cover SST sourcing losses would in effect be paying a "double penalty," first covering for a decision made by the state, and second, drawing criticism and ire from industrial sectors that play a mission-critical role in the state's economic well-being;
4) The expanded taxing authority exercised by local jurisdictions might well cost them in economic competitiveness and recruitment in the future. To use the utility tax example, since those utility taxes would be markedly higher in certain jurisdictions, businesses would decide in certain cases to locate in the jurisdiction without the tax markup;
5) It would be difficult, if not impossible, to structure an expanded tax to affect just those commercial businesses that are involved in destination-sourcing activities. As a result,

businesses not involved with or affected by the issue could end up paying an additional tax burden with no "nexus" or policy rationale to support that additional burden.

Provide New Taxing Authority to Jurisdictions that Continue to be Adversely Impacted by Sourcing

The SST Mitigation Executive Committee also considered and discussed the option of statutorily providing new taxing authority to jurisdictions that continue to be negatively impacted by the switch to destination-based sourcing.

Like the expanded authority option, this option carries with it several potential benefits including:

- Avoiding state general fund impacts
- Keeping adversely-impacted municipalities "whole"
- Drawing a nexus, to a point, between the activities being taxed and the application of the tax

Committee members also discussed potential ways the new tax could be placed directly on remote sellers, through some type of surcharge or point-of-collection charge.

However, Committee members saw this option causing an even greater shift of tax burdens onto the business sector, in response to a decision made by state government. Committee members also foresaw significant difficulty in devising a tax-collection system that would be efficient and workable. Those concerns, and the five concerns already noted under the 'expanding taxing authority' option, led committee members to conclude that this option should not be a preferred option.

Re-set Land Use Priorities to Deal with the Aftereffects of the Change to Destination Sourcing

The SST Mitigation Executive Committee discussed an additional option which would not involve any tax-policy measures or revenue shifts per se, but rather would involve a reset on land use policies through which jurisdictions host large concentrations of manufacturing, warehousing, and distribution facilities.

The theory behind this option is that local communities would have the ability to react to a new, sales-tax-driven, service-based economic model by rezoning their communities to host those businesses that flourish under the new model and to discourage and ultimately phase out those businesses built and clustered around an outdated economic model. Additionally, such a model would not require the state to make general fund allocations, and it would not create or shift tax burdens.

However, there were several major concerns that led Committee members to conclude this option was not only unworkable, but perhaps one of the most damaging options in the long run:

1) City officials pointed out that such an option would cause them to violate countywide planning policies, regional Growth Management, land use, and employment/growth center policies approved by Metropolitan Planning Organizations (MPOs) or Regional Planning Organizations (RPOs). Additionally, the state's own economic cluster strategy, administered through the Department of Commerce, could be undermined. In other words, individual localities would be asked to take actions that would be in direct conflict with strategies, land use plans, economic

development and job-center strategies that entire counties and regions, and the State of Washington are dependent upon;

2) City officials noted that such an option would also cause their jurisdictions to absorb negative revenue impacts and re-shuffle their entire economic and job-center strategies in return;
3) The "reset land use policies" option would not just impact clusters of businesses – it would upend an entire system put in place to support Washington's international-trade-based economy. In particular, the Ports of Seattle and Tacoma import and export a vast supply of goods that come from or destined for the warehouses, distribution centers, and manufacturing facilities in the Green River Valley. Major industrial sectors such as trucking and shipping are built around the commerce of that very system;
4) While this option might not have an immediate impact on the state general fund, Committee members felt it could certainly have longer-term and potentially more harmful general fund impacts by disrupting whole sectors such as manufacturing, distribution, supply firms, etc.;
5) Business representatives also saw this option unfairly penalizing commercial sectors and undercutting a system that so many types of industries depend upon. Ports, trucking organizations and the National Association of Industrial Office Properties (NAIOP) have been supportive of SST Mitigation Payments because they help compensate the very jurisdictions that host and support large concentrations of their businesses.

No-Action Alternative

The no-action alternative assumes that the number of cities dealing with revenue dislocations will diminish over time as remote sales tax revenues under EHB 2163 grow and as a growing trend of online-based purchasing continues unabated.

While this alternative could be seen as beneficial to the State of Washington by eliminating any general-fund or policy responsibility for ongoing losses, and while this alternative may be workable for many cities, there are at least two major flaws with the "no-action" approach:

1) DOR's analysis to date shows that jurisdictions with a particularly high concentration of warehousing, distribution, and manufacturing will continue to experience significant overall losses well into the foreseeable future – even with the advent of new sales tax under "remote sales," and
2) The no-action alternative fundamentally undermines several core principles that form the underpinnings of the Legislature's 2007 Session SST legislation, SSB 5089. The Part IX Sales and Use Tax Mitigation portion of SSB 5089, while concluding that participation in the SST compact of states was "in the best interests of the state" also found that "there will be an unintended adverse impact" on numerous jurisdictions and that "changes in sourcing laws may have negative implications for industry sectors such as warehousing and manufacturing, as well as jurisdictions that house a concentration of these industries and have made zoning decisions, infrastructure investments, bonding decisions, and land use policy decisions based on point of origin tax rules in place before the effective date of this section".

In establishing the SST Mitigation program and SST Mitigation Payments, the Legislature intended to have mitigation in place until a jurisdiction's new revenue from either "voluntary compliance" or remote sales met or exceeded its ongoing loss from sourcing. As a DOR "Frequently Asked Questions" document put it in 2008, "When a jurisdiction's voluntary compliance revenue exceeds its loss of local sales tax revenue, the jurisdiction will not receive mitigation." That has already resulted in the number of mitigated jurisdictions decreasing from 86 in 2009 to 57 in the first quarter of 2017 (Source: Department of Revenue).

The Committee concluded that a "no-action" alternative, while beneficial in some ways, would be harmful to a number of jurisdictions and would undermine the Legislature's own policy and statutory direction laid out in SSB 5089.

Conclusion

The SST Mitigation Executive Committee recommends continued streamlined sales tax mitigation payments for the limited number of cities that have not yet received adequate WA Marketplace Fairness Act and voluntary compliance revenue to offset the loss of streamlined sales tax mitigation payments. Ongoing data on the WA Marketplace Fairness Act and voluntary compliance revenue collections in comparison to streamlined sales tax mitigation payments should inform the continuation of streamlined sales tax mitigation payments in future biennia.

Exhibits

Exhibit A – SST Mitigation Executive Committee Membership List

Exhibit B – Streamlined Sales Tax Mitigation Executive Committee Charter

Exhibit C – RCW 82.14.500

Exhibit D – Legislation SSB 5089

Exhibit E – History, Impacts, and Legal

Exhibit F – 2015 Industrial Lands Report: Chapter 4 pg 4-26 to 4-28

Exhibit G – Mitigation Payments Q1 2018

Exhibit A

SST Mitigation Executive Committee Membership List

City or Organization	Name	Position
Auburn Area Chamber of Commerce	Julia Jordan	CEO
Burlington Chamber of Commerce	Peter Browning	CEO
City of Auburn	Nancy Backus	Mayor
City of Auburn	Shelley Coleman	Finance Director
City of Auburn	Kevin Fuhrer	Assistant Finance Director
City of Auburn	Mike Welch	Government Relations
City of Fife	Hyun Kim	City Manager
City of Fife	Patty Luat	Finance Director
City of Kent	Dana Ralph	Mayor
City of Kent	Derek Matheson	Chief Administrative Officer
City of Kent	Aaron BeMiller	Finance Director
City of Kent	Robert Goehring	City Auditor
City of Kent	Dana Neuts	Communications Manager
Cities of Kent, Fife, and Issaquah	Doug Levy	Government Relations
City of Pasco	Richa Sigel	Finance Director
City of Spokane Valley	Briahna Murray	Government Relations
Cities of Spokane Valley, Pasco, Lynden, Othello	Chelsea Hager	Government Relations
City of Tukwila	Jennifer Ziegler	Government Relations
City of Woodinville	Blaine Fritts	Finance Director
City of Woodinville	Brynn Brady	Government Relations
Fife Milton Edgewood Chamber of Commerce	Lora Butterfield	CEO
Seattle Southside Chamber of Commerce	Andrea Reay	CEO
The Northwest Seaport Alliance	Sean Eagan	Director Government Affairs
Association of Washington Cities	Victoria Lincoln	Government Relations
Association of Washington Cities	Sheila Gall	Legal Counsel
Association of Washington Cities	Andrew Pittelkau	Analyst

Exhibit B

Streamlined Sales Tax Mitigation Executive Committee Charter

Purpose:

- The Streamlined Sales Tax Mitigation Executive Committee is to produce a report for consideration by the Department of Revenue reflecting the impacts of sourcing on jurisdictions with a high concentration of manufacturing and warehousing facilities, and development of recommendations for addressing the disproportionate impact of sourcing on these jurisdictions. This report and recommendations are due to the Department of Revenue by September 1, 2018, and DOR's final report is due to the Governor and eight appropriate legislative committees by November 1, 2018.

Scope:

- By September 1st, develop viable recommendation options for the State Legislature to mitigate the impact of the Streamline Sales Tax initiative on Cities with significant manufacturing and warehousing business activity. Additionally, to develop communications messages to use as those cities discuss the recommendations with the legislators and other stakeholders.

Members:

City or Organization		**City or Organization**	
City of Kent		City of Issaquah	
Association of Washington Cities		Gordon Thomas Honeywell	
City of Woodinville		City of Fife	
Ceiba Consulting		City of Spokane Valley	
City of Pasco		City of Tukwila	
The Northwest Seaport Alliance		Outcomes by Levy, LLC	
City of Sumner		City of Auburn	
Burlington Chamber of Commerce		City of Othello	
Jennifer Ziegler Public Affairs		Fife/Milton Chambers of Commerce	
Seattle Southside Chamber of Commerce			

Representatives from Dept. of Commerce and legislative caucuses staff also attended some meetings.

Result:

- Measurable impact of whether goal has been achieved.

Resources:

- Identify outside experts on topics that need to be addressed. Industry experts.
- City of Fife will provide location
- AWC will provide support services

Communication Plan:

- Electronic meeting notices
- Meetings in person when available with a phone line for individuals who cannot be physically present

Deliverables:

- Formal report due to the Department of Revenue on or before September 1, 2018 to be incorporated into a legislative report

Decision Making:

- By consensus if possible and if not then by majority

Meeting Dates:

- December 15, 2017
- January 12, 2018
- March 16, 2018
- August 21, 2018

Exhibit C

RCW 82.14.500

Streamlined sales and use tax mitigation account—Funding—Determination of losses. (Effective until October 1, 2019.)

(1) In order to mitigate local sales tax revenue net losses as a result of the sourcing provisions of the streamlined sales and use tax agreement ....

(2) Beginning July 1, 2008, and continuing until the department determines annual losses under subsection (3) of this section, the department must determine the amount of local sales tax net loss each local taxing jurisdiction experiences as a result of the sourcing provisions of the streamlined sales and use tax agreement under this title each calendar quarter. The department must determine losses by analyzing and comparing data from tax return information and tax collections for each local taxing jurisdiction before and after July 1, 2008, on a calendar quarter basis. The department's analysis may be revised and supplemented in consultation with the oversight committee as provided in subsection (4) of this section. To determine net losses, the department must reduce losses by the amount of voluntary compliance revenue for the calendar quarter analyzed. Beginning December 31, 2008, distributions must be made quarterly from the streamlined sales and use tax mitigation account by the state treasurer, as directed by the department, to each local taxing jurisdiction, other than public facilities districts for losses in respect to taxes imposed under the authority of RCW 82.14.390, in an amount representing its net losses for the previous calendar quarter. Distributions must be made on the last working day of each calendar quarter and must cease when distributions under subsection (3) of this section begin......

(6)(a) As a result of part II of chapter 28, Laws of 2017 3rd sp. sess., local sales and use tax revenue is anticipated to increase due to additional tax remittance by marketplace facilitators, remote sellers, and consumers. This additional revenue will further mitigate the losses that resulted from the sourcing provisions of the streamlined sales and use tax agreement under this title and should be reflected in mitigation payments to negatively impacted local jurisdictions.

(b) Beginning January 1, 2018, and continuing through September 30, 2019, the department must determine the increased sales and use tax revenue each local taxing jurisdiction experiences from marketplace facilitator/remote seller revenue as a result of RCW 82.08.053, 82.08.0531, 82.32.047, and 82.32.763, chapter 82.13 RCW, and sections 201, 211, and 213, chapter 28, Laws of 2017 3rd sp. sess. each calendar quarter. The department must convene the mitigation advisory committee before January 1, 2018, to receive input on the determination of marketplace facilitator/remote seller revenue. Beginning with distributions made after March 31, 2018, distributions from the streamlined sales and use tax mitigation account by the state treasurer, as directed by the department, to each local taxing jurisdiction, must be reduced by the amount of its marketplace facilitator/remote seller revenue reported during the previous calendar quarter. No later than December 1, 2019, the department will determine the total marketplace facilitator/remote seller revenue for each local taxing jurisdiction for reporting periods beginning January 1, 2018, through reporting periods ending June 30, 2019. If the total distribution made from the streamlined sales and use tax mitigation account to a local taxing jurisdiction was not fully reduced by its total amount of marketplace facilitator/remote seller revenue for reporting periods beginning January 1, 2018, through reporting periods ending June 30, 2019, the department must reduce the local taxing jurisdiction's distribution of local sales and use tax under RCW 82.14.060 by the excess amount received.

Exhibit D

Legislation SSB 5089

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5089

Chapter 6, Laws of 2007

60th Legislature
2007 Regular Session

STREAMLINED SALES AND USE TAX AGREEMENT

EFFECTIVE DATE: 07/01/08 - Except sections 301, 1301, 1602, and 1701 through 1703, which take effect 7/22/07; and sections 302, 1003, 1006, 1014, and 1018, which have a contingent effective date.

Passed by the Senate February 2, 2007
YEAS 45 NAYS 3

BRAD OWEN

President of the Senate

Passed by the House March 16, 2007
YEAS 76 NAYS 15

FRANK CHOPP

Speaker of the House of Representatives

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5089** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

Approved March 22, 2007, 2:05 p.m.

FILED

March 22, 2007

CHRISTINE GREGOIRE

Governor of the State of Washington

Secretary of State
State of Washington

SUBSTITUTE SENATE BILL 5089

Passed Legislature - 2007 Regular Session

State of Washington **60th Legislature** **2007 Regular Session**

By Senate Committee on Ways & Means (originally sponsored by Senators Regala, Zarelli, Eide, Shin, Franklin, Keiser, Rockefeller, Weinstein, Pridemore, Marr, Hobbs, Rasmussen, Murray, Prentice, Fairley, Fraser, Spanel, Berkey, Tom, Kohl-Welles, McAuliffe and Kline; by request of Governor Gregoire)

READ FIRST TIME 01/22/07.

PART IX
SALES AND USE TAX MITIGATION

NEW SECTION. **Sec. 901.** (1) The legislature finds and declares that:

(a) Washington state's participation as a member state in the streamlined sales and use tax agreement benefits the state, all its local taxing jurisdictions, and its retailing industry, by increasing state and local revenues, improving the state's business climate, and standardizing and simplifying the state's tax structure;

(b) Participation in the streamlined sales and use tax agreement is a matter of statewide concern and is in the best interests of the state, the general public, and all local jurisdictions that impose a sales and use tax under applicable law;

(c) Participation in the streamlined sales and use tax agreement requires the adoption of the agreement's sourcing provisions, which change the location in which a retail sale of delivered tangible personal property occurs for local sales tax purposes from the point of origin to the point of destination;

(d) Changes in the local sales tax sourcing law provisions to conform with the streamlined sales and use tax agreement will cause sales tax revenues to shift among local taxing jurisdictions. The legislature finds that there will be an unintended adverse impact on local taxing jurisdictions that receive less revenues because local tax revenues will be redistributed, with revenue increases for some jurisdictions and reductions for others, due solely to changes in local sales tax sourcing rules to be implemented under section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020, even though no local taxing jurisdiction has changed its tax rate or tax base;

(e) The purpose of providing mitigation to such jurisdictions is to mitigate the unintended revenue redistribution effect of the sourcing law changes among local governments;

(f) It is in the best interest of the state and all its subdivisions to mitigate the adverse effects of amending the local sales tax sourcing provisions to be in conformance with the streamlined sales and use tax agreement;

(g) Additionally, changes in sourcing laws may have negative implications for industry sectors such as warehousing and manufacturing, as well as jurisdictions that house a concentration of these industries and have made zoning decisions, infrastructure investments, bonding decisions, and land use policy decisions based on point of origin sales tax rules in place before the effective date of this section, and the mitigation provided by sections 901 through 905 of this act is intended to help offset those negative implications; and

(h) It is important that the state of Washington maintain its supply of industrial land for present and future economic development activities, and local governments taking advantage of the mitigation provided by sections 901 through 905 of this act should strive to maintain the supply of industrial land available for economic development efforts.

(2) The legislature intends that the streamlined sales and use tax mitigation account established in section 902 of this act have the sole objective of mitigating, for negatively affected local taxing jurisdictions, the net local sales tax revenue reductions incurred as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020.

NEW SECTION. **Sec. 902.** A new section is added to chapter 82.14 RCW to read as follows:

(1) The streamlined sales and use tax mitigation account is created in the state treasury. The state treasurer shall transfer into the account from the general fund amounts as directed in section 903 of this act. Expenditures from the account may be used only for the purpose of mitigating the negative fiscal impacts to local taxing jurisdictions as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020.

(2) Beginning July 1, 2008, the state treasurer, as directed by the department, shall distribute the funds in the streamlined sales and use tax mitigation account to local taxing jurisdictions in accordance with section 903 of this act.

(3) The definitions in this subsection apply throughout this section and RCW 82.14.390 and section 903 of this act.

(a) "Agreement" means the same as in RCW 82.32.020.

(b) "Local taxing jurisdiction" means counties, cities, transportation authorities under RCW 82.14.045, public facilities districts under chapters 36.100 and 35.57 RCW, public transportation benefit areas under RCW 82.14.440, and regional transit authorities under chapter 81.112 RCW, that impose a sales and use tax.

(c) "Loss" or "losses" means the local sales and use tax revenue reduction to a local taxing jurisdiction resulting from the sourcing provisions in section 502 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020.

(d) "Net loss" or "net losses" means a loss offset by any voluntary compliance revenue.

(e) "Voluntary compliance revenue" means the local sales tax revenue gain to each local taxing jurisdiction reported to the department from persons registering through the central registration system authorized under the agreement.

(f) "Working day" has the same meaning as in RCW 82.45.180.

NEW SECTION. **Sec. 903.** A new section is added to chapter 82.14 RCW to read as follows:

(1) In order to mitigate local sales tax revenue net losses as a result of the sourcing provisions of the streamlined sales and use tax agreement under this title, the state treasurer shall transfer into the streamlined sales and use tax mitigation account from the general fund the sum of thirty-one million six hundred thousand dollars on July 1, 2008. On July 1, 2009, and each July 1st thereafter, the state treasurer shall transfer into the streamlined sales and use tax mitigation account from the general fund the sum required to mitigate actual net losses as determined under this section.

(2) Beginning July 1, 2008, and continuing until the department determines annual losses under subsection (3) of this section, the department shall determine the amount of local sales tax net loss each local taxing jurisdiction experiences as a result of the sourcing provisions of the streamlined sales and use tax agreement under this title each calendar quarter. The department shall determine losses by analyzing and comparing data from tax return information and tax collections for each local taxing jurisdiction before and after the effective date of this section on a calendar quarter basis. The department's analysis may be revised and supplemented in consultation with the oversight committee as provided in subsection (4) of this section. To determine net losses, the department shall reduce losses

by the amount of voluntary compliance revenue for the calendar quarter analyzed. Beginning December 31, 2008, distributions shall be made quarterly from the streamlined sales and use tax mitigation account by the state treasurer, as directed by the department, to each local taxing jurisdiction, other than public facilities districts for losses in respect to taxes imposed under the authority of RCW 82.14.390, in an amount representing its net losses for the previous calendar quarter. Distributions shall be made on the last working day of each calendar quarter and shall cease when distributions under subsection (3) of this section begin.

(3)(a) By December 31, 2009, or such later date the department in consultation with the oversight committee determines that sufficient data is available, the department shall determine each local taxing jurisdiction's annual loss. The department shall determine annual losses by comparing at least twelve months of data from tax return information and tax collections for each local taxing jurisdiction before and after the effective date of this section. The department shall not be required to determine annual losses on a recurring basis, but may make any adjustments to annual losses as it deems proper as a result of the annual reviews provided in (b) of this subsection. Beginning the calendar quarter in which the department determines annual losses, and each calendar quarter thereafter, distributions shall be made from the streamlined sales and use tax mitigation account by the state treasurer on the last working day of the calendar quarter, as directed by the department, to each local taxing jurisdiction, other than public facilities districts for losses in respect to taxes imposed under the authority of RCW 82.14.390, in an amount representing one-fourth of the jurisdiction's annual loss reduced by voluntary compliance revenue reported during the previous calendar quarter.

(b) The department's analysis of annual losses shall be reviewed by December 1st of each year and may be revised and supplemented in consultation with the oversight committee as provided in subsection (4) of this section.

(4) The department shall convene an oversight committee to assist in the determination of losses. The committee shall include one representative of one city whose revenues are increased, one representative of one city whose revenues are reduced, one representative of one county whose revenues are increased, one

representative of one county whose revenues are decreased, one representative of one transportation authority under RCW 82.14.045 whose revenues are increased, and one representative of one transportation authority under RCW 82.14.045 whose revenues are reduced, as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020. Beginning July 1, 2008, the oversight committee shall meet quarterly with the department to review and provide additional input and direction on the department's analyses of losses. Local taxing jurisdictions may also present to the oversight committee additional information to improve the department's analyses of the jurisdiction's loss. Beginning January 1, 2010, the oversight committee shall meet at least annually with the department by December 1st.

(5) The rule-making provisions of chapter 34.05 RCW do not apply to this section.

Sec. 904. RCW 82.14.390 and 2006 c 298 s 1 are each amended to read as follows:

(1) Except as provided in subsection ((~~(6)~~)) (7) of this section, the governing body of a public facilities district (a) created before July 31, 2002, under chapter 35.57 or 36.100 RCW that commences construction of a new regional center, or improvement or rehabilitation of an existing new regional center, before January 1, 2004, or (b) created before July 1, 2006, under chapter 35.57 RCW in a county or counties in which there are no other public facilities districts on June 7, 2006, and in which the total population in the public facilities district is greater than ninety thousand that commences construction of a new regional center before February 1, 2007, may impose a sales and use tax in accordance with the terms of this chapter. The tax is in addition to other taxes authorized by law and shall be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the public facilities district. The rate of tax shall not exceed 0.033 percent of the selling price in the case of a sales tax or value of the article used in the case of a use tax.

(2)(a) The governing body of a public facilities district imposing a sales and use tax under the authority of this section may increase the rate of tax up to 0.037 percent if, within three fiscal years of the effective date of this section, the department determines that, as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020, a public facilities district's sales and use tax collections for fiscal years after the effective date of this section have been reduced by a net loss of at least 0.50 percent from the fiscal year before the effective date of this section. The fiscal year in which this section becomes effective is the first fiscal year after the effective date of this section.

(b) The department shall determine sales and use tax collection net losses under this section as provided in section 903 (2) and (3) of this act. The department shall provide written notice of its determinations to public facilities districts. Determinations by the department of a public facilities district's sales and use tax collection net losses as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020 are final and not appealable.

(c) A public facilities district may increase its rate of tax after it has received written notice from the department as provided in (b) of this subsection. The increase in the rate of tax must be made in 0.001 percent increments and must be the least amount necessary to mitigate the net loss in sales and use tax collections as a result of section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020. The increase in the rate of tax is subject to RCW 82.14.055.

(3) The tax imposed under subsection (1) of this section shall be deducted from the amount of tax otherwise required to be collected or paid over to the department of revenue under chapter 82.08 or 82.12 RCW. The department of revenue shall perform the collection of such taxes on behalf of the county at no cost to the public facilities district.

((~~(3)~~)) (4) No tax may be collected under this section before August 1, 2000. The tax imposed in this section shall expire when the bonds issued for the construction of the regional center and related parking facilities are retired, but not more than twenty-five years after the tax is first collected.

((~~(4)~~)) (5) Moneys collected under this section shall only be used for the purposes set forth in RCW 35.57.020 and must be matched with an amount from other public or private sources equal to thirty-three percent of the amount collected under this section, provided that amounts generated from nonvoter approved taxes authorized under chapter 35.57 RCW or nonvoter approved taxes authorized under chapter 36.100 RCW shall not constitute a public or private source. For the purpose of this section, public or private sources includes, but is not limited to cash or in-kind contributions used in all phases of the development or improvement of the regional center, land that is donated and used for the siting of the regional center, cash or in-kind contributions from public or private foundations, or amounts attributed to private sector partners as part of a public and private partnership agreement negotiated by the public facilities district.

((~~(5)~~)) (6) The combined total tax levied under this section shall not be greater than ((~~0.033~~)) 0.037 percent. If both a public facilities district created under chapter 35.57 RCW and a public facilities district created under chapter 36.100 RCW impose a tax under this section, the tax imposed by a public facilities district created under chapter 35.57 RCW shall be credited against the tax imposed by a public facilities district created under chapter 36.100 RCW.

((~~(6)~~)) (7) A public facilities district created under chapter 36.100 RCW is not eligible to impose the tax under this section if the legislative authority of the county where the public facilities district is located has imposed a sales and use tax under RCW 82.14.0485 or 82.14.0494.

NEW SECTION. **Sec. 905.** A new section is added to chapter 44.28 RCW to read as follows:

(1) During calendar year 2010, the joint legislative audit and review committee shall review the mitigation provisions for local taxing jurisdictions under RCW 82.14.390 and section 903 of this act to determine the extent to which the mitigation provisions address the needs of local taxing jurisdictions for which the sourcing provisions in section 503 of this act and the chapter ..., Laws of 2007 (this act) amendments to RCW 82.14.020 had the greatest fiscal impact. In conducting the study, the committee shall solicit input from the oversight committee created in section 903 of this act and additional local taxing jurisdictions as the committee determines. The department of revenue and the state treasurer shall provide the committee with any data within their purview that the committee considers necessary to

conduct the review. The committee shall report to the legislature the results of its findings, and any recommendations for changes to the mitigation provisions under RCW 82.14.390 and section 903 of this act, by December 31, 2010.

(2) The definitions in section 902 of this act apply to this section.

(3) This section expires July 1, 2011.

Passed by the Senate February 2, 2007.
Passed by the House March 16, 2007.
Approved by the Governor March 22, 2007.
Filed in Office of Secretary of State March 22, 2007.

Exhibit E

History, Impacts, and Legal

A History Lesson on Streamlined Sales Tax (SST) Mitigation
& Overlap with Remote (Internet) Sales Tax Collection
How the SST Agreement Came to Be, Legal Issues, and More
Doug Levy, Outcomes By Levy; Sheila Gall, AWC; Robert Goehring, City of Kent

Why SST – and why an Agreement among states? – Doug Levy, Outcomes By Levy, LLC

- The SST compact (aka Streamlined Sales and Use Tax Agreement) was triggered by two key factors:

  1) The 1992 Quill decision by the U.S. Supreme Court held that states cannot require retailers with no in-state physical presence to collect sales and use tax. Only the U.S. Congress could take that action; and

  2) The phenomenal growth in the use of the internet as a means to buy goods online vs. in-store – what might be called the "Bezos effect."

- In March 2000 a number of states and other stakeholders formed the Streamlined Sales and Use Tax Project. This project was designed to simplify, modernize, and standardize sales and use tax laws, definitions, and practices, to bolster the state's case with Congress that it should allow for internet sales to be subject to sales tax;

- States recognized that the growth of "e-tail" or online sales was going to be revolutionary. Back in 2003, a Department of Revenue study done for the Legislature estimated annual losses to Washington State from internet sales of $191 million for the State of Washington and $59 million for local governments;

- Increasingly, "Main Street" businesses realized that online sellers who didn't pay taxes were increasingly taking away their business as the ease of shopping online became more and more apparent;

- In 2002, a collection of states formed the Streamlined Sales and Use Tax Agreement (SSUTA), a compact of states designed to achieve a simplified sales tax collection system. The Agreement would become effective when 10 states representing at least 20 percent of the U.S. population became substantially compliant with the SSUTA.

- One key factor in making Washington and many other states compliant was to make the "sourcing" of sales tax based the final destination/delivery of a product – which is in harmony with how online transactions take place but at odds with the fact that half the states in the U.S., including Washington, had been using an "origin-based" system to credit sales tax at a local level;

- So what does that mean? If a customer purchases a shirt at a retail store located in Spokane, the "point of origin" and the "point of destination" are the same and the sales tax continues to be credited to the City of Spokane. However, if the customer purchases a counch from a furniture store located in Auburn and the store has it delivered from its warehouse located in Fife to the customer's home or business in Des Moines, then sales tax is credited to the City of Des Moines rather than the City of Fife. Why" Under the SSUTA for which Washington is a member, with certain exceptions sales tax for retail deliveries are credited based on the point of destination (Des Moines) rather than the point of origin (Fife warehouse);

- The change in sourcing from origin-basis to destination-basis has an immediate and significant adverse impact to sales tax revenues to communities with high concentrations of warehousing, distribution and manufacturing activities including but not limited to, the cities of Auburn, Kent, Tukwila, Fife and Sumner. In fact, those communities form the nucleus of the 2nd-largest warehousing distribution complex on the West Coast. Noting that communities such as Spokane Valley and Pasco are also significantly impacted;

- In 2003, after the Department of Revenue initially estimated a "sourcing" change was only going to impact a "few" warehousing-based cities, the Legislature considered legislation to adopt several provisions of the SSUTA, including sourcing. A number of adversely impacted cities urged the Legislature to first study and better understand the full impacts of a sourcing change;

- The 2003 Legislature did indeed adopt a bill on Streamlined Sales Tax – Senate Bill 5783 (Chapter 168, Laws of 2003). But, based on the concerns over the sourcing issue, the Legislature directed that DOR undertake a comprehensive study of the impacts of a sourcing change.

- The DOR's study, completed in December 2003, showed that in fact more than 120 cities, counties, transit agencies, and Public Facility Districts (PFDs) would be negatively impacted by a local sales tax sourcing change from "origin-based" to "destination-based" – with severe impacts to some. The study identified a series of different possible ways to mitigate the impacts of the sourcing change;

- In 2004 and 2005, the Legislature debated – but did not adopt – SST legislation that included the local sales tax sourcing change. Fundamental disagreements among local governments – with some recommending partial mitigation and others insisting on full mitigation – precluded legislation from being adopted.

- Heading into the 2006 Session of the Legislature, cities and counties coalesced around a "full mitigation" approach with regard to the SST, one endorsed and requested by then-Governor Gregoire. 2006 legislation was not enacted – but this was more over timing issues than substantive disagreement;

- In 2007, the Legislature enacted SSB 5089, bringing Washington State in line with the national SSTA with respect to sourcing rules. The promise of a full mitigation approach was a key underpinning of the legislation, which clearly would not have been agreed to or adopted without such an approach;

- The Governor and the Legislature made a strong commitment to SST full mitigation; based on the fact that the sourcing change was a major and fundamental change in local sales tax rules that had been in place for decades. The Legislature also recognized that mitigation was critical to the upkeep of numerous warehousing, distribution center, and industrial areas throughout the state.

- The full mitigation was based on an "actual loss" and "actual experience" approach, and involved use of an advisory committee to work with the DOR on mitigation policies;

- The mitigation program was designed so that jurisdictions would receive mitigation payments until such time as their gains from the "voluntary compliance" provisions of the SSTA (<u>voluntary compliance is calculated from sales tax accruing from voluntary sales tax collection by companies coming into the SSTA compact</u>) met or exceeded their losses from the sourcing change. A DOR "Frequently Asked Questions" document from 2008 confirms this: "When a jurisdiction's voluntary compliance revenue exceeds its loss of local sales tax revenue, the jurisdiction will not receive mitigation."

Legal Issues and Challenges – and Along Comes the "Marketplace Fairness Act" – Sheila Gall, Legal Counsel, AWC

- Washington State made changes to its sales tax system, including changing from an origin-based sales tax sourcing system to a destination-based sales tax sourcing in 2007 (SSB 5089);

- This was intended as a step in implementing sales tax collection requirements on internet sales and a way to further the case for state and local governments working to convince Congress to act on federal legislation requiring sales tax collection by internet retailers which became known as "Main Street" or "Marketplace Fairness" in sales tax policy. Passage of SSB 5089 also was to give a voice to Washington on the governing board of the national streamlined agreement;

- Under the national agreement, companies could "voluntarily" join and collect sales tax on behalf of the member states. They would get two big benefits in return:
  1) "vendor compensation" -- financial assistance in the costs of sales tax collection; and 2) relief from liability against back taxes in the event their actual "nexus" in a state came under legal question;

- The sourcing change from original to destination resulted in dislocations of sales tax revenues at the local level – both negative and positive. The negative impacts were particularly hard-hitting for jurisdictions with large warehouses or a retail base that included delivery based items such as furniture that had previously sourced sales tax to those warehouse or store jurisdictions;

- As part of the agreement with impacted jurisdictions in implementing the Streamlined Sales Tax changes, the Legislature began appropriating approximately $50 million per biennium in SST mitigation;

- The program mitigates actual sales tax losses based on 2008 estimates, reduced by actual voluntary compliance new revenues. The calculation would also include new revenues if Congress acts to require collection by internet retailers;

- Mitigation was designed to ramp down and would end when voluntary compliance new revenues exceeded losses. In 2009, 86 jurisdictions, including 55 cities, received mitigation. In the first quarter of 2017, 57 jurisdictions, including 49 cities, received mitigation. The largest mitigation recipient has been King County Metro. For cities, the largest payments go to Kent, Auburn, Tukwila, Issaquah, Spokane Valley, Fife, Woodinville, Sumner, Everett, Lynnwood, and Pasco;

- Regarding the EHB 2163 legislation we referenced earlier, for at least 11 of the mitigation jurisdictions, the new revenue resulting from new sales tax collections from out of state retailers in EHB 2163 would not cover the loss of their expected SST mitigation payments;

- AWC has included passage of a requirement for sales tax collection on internet and other remote sales purchases as a federal priority for many years. While there has been a new push to enact federal Marketplace Fairness legislation again this year, to date Congress has not taken action;

- The stakes of remote sales tax collection are very high, though, and tell you why this is so critical. An early 2014 DOR estimate of a Congressional Marketplace Fairness bill showed it would have resulted in $493.2 million in new biennial sales taxes to the State of Washington in 2015-17 and $542.6 million in 2017-19;

- While Congress has not taken action on the Marketplace Fairness issue, other legal precedents surfaced;

- In 2015, Justice Kennedy wrote a concurrence in Direct Marketing Association v. Brohl in a case involving Colorado information reporting requirements stating that the "legal system should find an appropriate case for this Court to reexamine Quill";

- The concurrence recognized the changed circumstances of the last 20 years of Quill has had on state and local governments due to rise of internet purchases, Congress's failure to pass the Marketplace Fairness Act, and states' need to improve use tax collection;

- Two states, South Dakota and Alabama, have enacted sales tax collection requirements that are moving through the courts, with the expectation of review by the US Supreme Court as a "Quill challenge." The South Dakota case is currently before the U.S Supreme Court waiting for a decision on whether the court will accept review;

- Several more states have taken other steps to improve collections by out of state businesses. Colorado, Oklahoma, South Dakota, and Vermont–and now Washington -- have enacted reporting or registration requirements on remote sellers;

A Case Study on why "Full Mitigation" isn't necessarily full – and the hardships on certain cities even with SST Mitigation and the promise of remote sales tax – Robert Goehring, City ofKent

1. According to the March 2015 PSRC Industrial Lands Report the Puget Sound regional industrial land area serves as a significant economic engine for the regional and state economy. Specifically:

    - 28,615 net acres of industrial-zoned and designated lands spread across four counties, 65 jurisdictions, and military and tribal lands.

    - In 2012, total wages paid out by industrial activities on industrial lands were $24.4 billion, or 23.2% of all wages paid out in the region in 2012.

    - Estimated state tax revenues generated by industrial activities on industrial lands totaled over $2.25 billion in 2012.

    - Kent-Renton Subarea Profile:
        - 5,970 acres (8% of Region's Industrial Land)
        - 49,300 industrial jobs (10% of Regions jobs)
        - 14,500 non-industrial jobs
        - Ownership by parcel area (Private - 91%; Public – 9%)
        - Average parcel size 4.2 acres
        - Specialization – Aerospace, Wholesaling and Transportation Distribution and Logistics (TDL)

2. The City of Kent Green River Valley is one of eight PSRC Regional Manufacturing/Industrial Growth Centers and, as such, is a vital component of the regional and state economy.

    The City continues to spend a significant amount of money related to the impacts of warehousing, manufacturing and related transportation activities, including, but not limited to, construction and maintenance of roads.

3. Effective July 1, 2008 and pursuant to RCW 82.14.490 and as required by the SSUTA, local sales tax distribution for retail deliveries switched from origin-based sourcing to destination based sourcing resulting in a significant decrease in sales/use tax and local business and occupation tax for jurisdictions with high concentrations of warehousing and manufacturing facilities.

4. Effective July 1, 2008 and pursuant to RCW 82.14.500 and 82.14.390, mitigation for sourcing losses for negatively impacted local governments was established as follows:

   - All except PFDs – Direct quarterly payments from the state calculated as the sourcing loss ("measurement period" - comparison of FY 2008 v. 2009 sales/use tax at the individual business level) less the local portion of "voluntary compliance" (from businesses registering under the SSUTA)

   - PFDs – Eligible if the sourcing loss is at least .5% between the measurement period and current annual revenues up to a maximum rate of .037 percent

5. The Department of Revenue worked with impacted local governments to determine the estimated annual sourcing losses through comparison of pre-sourcing (July 1, 2007 through June 30, 2008) and post-sourcing (July 1, 2008 through June 30, 2009) sales tax at the individual jurisdiction for businesses impacted by the sourcing change.

6. On a quarterly basis for the annual period under review, the Department of Revenue calculated the sourcing losses for each jurisdiction and provided each jurisdiction with respective detail at the individual business level. For example, the Department of Revenue provided information for each impacted business comprised largely as the difference between the reporting periods Q3 2007 (July 1, 2007 through September 30, 2007) and the reporting periods Q3 2008 (July 1, 2008 through September 30, 2008).

7. The Department of Revenue remitted payments during the annual measurement period (FY 2007 v. FY 2008) on the last day of the third month for each quarterly measurement period. For example, the payment for Q3 2008 v. Q3 2009 payment was made on December 31, 2009.

8. Based on in part on feedback received from the impacted local governments, the Department of Revenue adjusted subsequent quarterly calculations during the measurement period to <u>prospectively</u> address concerns noted. For example, the Department's analysis may have excluded a company that should have been included in the calculations.

9. After all four quarterly measurement periods were completed, the Department of Revenue established a fixed estimated sourcing loss for use in the calculation of quarterly mitigation payments effective FY2010.

10. Mitigation was calculated based on the fixed estimated sourcing loss less the local government portion of "voluntary compliance" received from businesses operating in the jurisdictions that had registered to collect and remit sales and use tax under the SSUTA.

11. The measurement period (FY 2009) was during the trough of the Great Recession and the estimated sourcing loss calculations were not adjusted for the recovery, for normal sales/use tax growth, or for subsequent changes in warehousing/manufacturing activity.

12. As a result, the City of Kent's fixed sourcing loss estimate ($5 million per year) only represents 39% of the 2012 estimated actual sourcing losses ($12.7 million) based on Department of Revenue information provided to the Puget Sound Regional Council for PRSC's March 2015 Industrial Lands Report.

13. Due to the disproportionate losses under SSUTA to the City of Kent, the WA Market Place Fairness Act would only represent an estimated $444,600 in annual sales tax revenues or 9% of annual mitigation currently received ($5.0 million).

Exhibit F

2015 Industrial Lands Report: Chapter 4 pg 4-26 to 4-28

Impacts of Streamlined Sales Tax Policy

For most activities on industrial lands, tax revenues are directly levied by the jurisdiction where the industrial activity takes place. A major exception is sales tax levied on wholesaling activities. According to the streamlined sales tax (SST) policy, goods that are sold over the Internet or by phone are subject to the sales levy at the place of final destination. In the case of many Wholesaling & Warehousing activities, the immediate implication of this rule is that jurisdictions that are home to many Wholesaling and Warehousing jobs may not see a direct fiscal revenue stream associated with these activities.

To illustrate these impacts, local sales tax revenues were calculated for Wholesaling & Warehousing activities on industrial lands. These activities, across all industrial lands region wide, generate an estimated $49.8 billion in business revenues. Of this, an estimated 6.2% is in the form of final demand sales, and thus subject to a sales tax levy. Sales transacted within the region account for an estimated 95% of total sales (the remainder representing sales to customers outside the central Puget Sound region), resulting in total regional taxable retail sales of $2.9 billion in 2012.

Jurisdictions with the largest number of Wholesaling & Warehousing activities employment and associated business revenues include Kent ($9.5 billion), Seattle ($8.6 billion), Tacoma ($4.6 billion), Renton ($3.6 billion), and Auburn ($2.5 billion). If sales tax levies were restricted to the origin of sale (and not destination), the City of Kent would collect, based on the above estimates, more than $16.8 million in sales tax revenues in 2012. However, the SST lowers this total to $4.1 million, a hypothetical net loss of $12.7 million (Exhibit 4.28). Conversely, the City of Seattle, which under an origin-based sales tax would directly collect $15.1 million in sales tax revenues generated by Warehousing & Wholesaling activities, under the SST collects an estimated $25.4 million, a difference of $10.3 million.

Exhibit4.28. Cities with Largest Absolute Change in Wholesaling & Warehousing Sales Tax Due to SST, 2012, (est., Mils. $)

Rank City	W&W Revenues	Sales Taxes Collected if no SST	Estimated Actual Sales Taxes Collected	Loss or Gain in Local Sales Tax Revenues
1 Kent	9,517	16.8	4.1	-12.7
2 Seattle	8,562	15.1	25.4	10.3
3 Bellevue	102	0.2	6.0	5.8
4 Renton	3,632	6.4	2.4	-4.0
5 Tacoma	4,631	8.2	5.2	-3.0
6 Sumner	2,155	2.9	0.5	-2.4
7 Auburn	2,451	4.3	2.6	-1.7
8 Lynnwood	50	0.1	1.2	1.1
9 Kirkland	383	0.7	1.7	1.0
10 Bremerton	34	0.0	0.9	0.8

Source: \Washington Association of Cities, 2013; \Washington State Department of Revenue, 2014; Community Attributes Inc., 2014.

Note: Loss of gain estimates may not exactly equal differences across other columns due to rounding.

Washington's streamlined sales tax policies went into effect on July 1, 2008, nearly seven years ago. Some cities, such as Kent, may now be questioning the fiscal benefits of accommodating warehousing activities, since state laws for municipal taxes so heavily favor retail sales with points of sale locally. Warehousing is a critical component of the regional economy, however, and the local economic benefits of warehousing do not hinge on SST alone. The local economy, local residents' job opportunities, and the city's role in the regional economy factor heavily into the relationship between local zoning and economic impacts, among other considerations.

Exhibit G

Mitigation Payments Q1 2018

June 29, 2018 Payment for Quarter 1, 2018 Activity Note 1					
Ranking	Jurisdiction	Location Code	Jurisdiction type	Net revenue impact	Mitigation payment made

Note 1: Calculation of Mitigation Payments. Quarterly Mitigation Payments are calculated by the Department of Revenue for each jurisdiction based on the Department of Revenue Calculated Sourcing Loss less the local government portion of Voluntary Compliance and, effective January 1, 2018, WA Marketplace Fairness Act sales and use tax. "Calculated Sourcing Loss" means the sales and use tax loss experienced by the jurisdiction based on comparison of sales tax for certain businesses between the pre-sourcing (July 1, 2007 through June 30, 2018) and the post-sourcing (July 1, 2008 through June 30, 2009) tax return periods. "Voluntary Compliance" means sales and use tax attributed to the jurisdiction collected from businesses voluntarily registering to collect and remit sales and use tax under the Streamlined Sales and Use Tax Agreement (SSUTA). "WA Marketplace Fairness Act" means sales and use tax attributed to the jurisdiction collected from businesses reporting and/or collecting and remitting sales and use tax pursuant to SHB 2186 Washington State Marketplace Fairness Act (MPFA). For example, the City of Kent's mitigation payment for June 29, 2018 representing Quarter 1, 2018 activity ($1,136,711) incorporates one quarter of its Calculated Annual Sourcing Loss ($1,257,611) [$5,030,445 divided by four] less Voluntary Compliance ($13,501) and less WA Marketplace Fairness Act ($107,399).

1	KENT	1715	City	($1,136,711.13)	$1,136,711.13
2	AUBURN	1702	City	($414,606.59)	$414,606.59
3	TUKWILA	1729	City	($259,185.05)	$259,185.05
4	ISSAQUAH	1714	City	($153,928.45)	$153,928.45
5	FIFE	2706	City	($122,798.67)	$122,798.67
6	WOODINVILLE	1735	City	($111,263.11)	$111,263.11
7	SUMNER	2716	City	($99,089.41)	$99,089.41
8	SPOKANE VALLEY	3213	City	($75,976.91)	$75,976.91
9	BURLINGTON	2902	City	($23,636.75)	$23,636.75
10	LYNNWOOD	3110	City	($20,548.29)	$20,548.29
11	OTHELLO	0103	City	($18,842.90)	$18,842.90
12	MILTON	1731	City	($16,842.68)	$16,842.68
13	MONROE	3112	City	($8,736.04)	$8,736.04
14	LYNDEN	3705	City	($6,509.78)	$6,509.78
15	COULEE CITY	1301	City	($3,711.57)	$3,711.57
16	LIBERTY LAKE	3212	City	($3,254.10)	$3,254.10
17	PACIFIC	1723	City	($3,164.61)	$3,164.61
18	PASCO	1104	City	($1,792.37)	$1,792.37
19	FAIRFIELD	3204	City	($1,559.40)	$1,559.40
20	ST. JOHN	3814	City	($1,526.73)	$1,526.73
21	TOPPENISH	3910	City	($1,021.88)	$1,021.88
22	HOQUIAM	1404	City	($866.47)	$866.47
23	LONG BEACH	2502	City	($860.87)	$860.87
24	NOOKSACK	3706	City	($780.20)	$780.20
25	LATAH	3205	City	($666.90)	$666.90
26	ALGONA	1701	City	($222.28)	$222.28
	Total Jurisdictions Receiving Payments			($2,488,103.14)	$2,488,103.14
1	SEATTLE	1726	City	$1,530,159.72	-
2	KING COUNTY	1700	County	$646,355.56	-

3	PIERCE COUNTY	2700	County	$643,654.41	-
4	SNOHOMISH COUNTY	3100	County	$569,764.22	-
5	KITSAP COUNTY	1800	County	$401,480.11	-
6	WHATCOM COUNTY	3700	County	$361,468.20	-
7	THURSTON COUNTY	3400	County	$325,201.54	-
8	SPOKANE COUNTY	3200	County	$324,573.02	-
9	BENTON COUNTY	300	County	$229,188.11	-
10	CLARK COUNTY	600	County	$213,605.94	-
11	BELLEVUE	1704	City	$182,011.29	-
12	ISLAND COUNTY	1500	County	$179,898.61	-
13	TACOMA	2717	City	$174,219.63	-
14	SPOKANE CITY	3210	City	$173,009.74	-
15	YAKIMA COUNTY	3900	County	$166,286.76	-
16	OLYMPIA	3403	City	$163,353.91	-
17	KENNEWICK	0302	City	$142,205.93	-
18	RICHLAND	0304	City	$137,445.60	-
19	SKAGIT COUNTY	2900	County	$133,553.48	-
20	VANCOUVER	0605	City	$132,861.49	-
21	BELLINGHAM	3701	City	$131,767.62	-
22	RENTON	1725	City	$130,875.13	-
23	GRANT COUNTY	1300	County	$128,560.40	-
24	BOTHELL	1706	City	$122,857.10	-
25	KIRKLAND	1716	City	$119,511.68	-
26	CLALLAM COUNTY	500	County	$119,479.23	-
27	REDMOND	1724	City	$116,843.66	-
28	KITTITAS COUNTY	1900	County	$108,845.23	-
29	SAMMAMISH	1739	City	$107,304.38	-
30	FEDERAL WAY	1732	City	$106,353.17	-
31	MASON COUNTY	2300	County	$102,618.43	-
32	LEWIS COUNTY	2100	County	$99,487.62	-
33	EDMONDS	3104	City	$88,532.73	-
34	LACEY	3402	City	$88,279.73	-
35	BREMERTON	1801	City	$86,098.24	-
36	PUYALLUP	2711	City	$85,811.67	-
37	COWLITZ COUNTY	800	County	$81,680.54	-
38	BLAINE	3702	City	$80,958.10	-
39	MERCER ISLAND	1719	City	$80,056.71	-
40	GRAYS HARBOR COUNTY	1400	County	$79,776.27	-
41	SNOHOMISH CITY	3115	City	$78,185.99	-

42	JEFFERSON COUNTY	1600	County	$73,529.49	-
43	GIG HARBOR	2708	City	$73,133.45	-
44	SHORELINE	1737	City	$70,061.65	-
45	WALLA WALLA COUNTY	3600	County	$69,067.20	-
46	PULLMAN	3812	City	$67,026.01	-
47	OKANOGAN COUNTY	2400	County	$66,330.80	-
48	CHELAN COUNTY	400	County	$63,710.99	-
49	YAKIMA CITY	3913	City	$63,025.12	-
50	BAINBRIDGE ISLAND	1804	City	$61,892.68	-
51	SAN JUAN COUNTY	2800	County	$61,204.99	-
52	PORT ANGELES	0502	City	$57,475.07	-
53	STEVENS COUNTY	3300	County	$56,268.15	-
54	OAK HARBOR	1503	City	$54,278.29	-
55	WHITMAN COUNTY	3800	County	$52,301.42	-
56	SNOQUALMIE	1728	City	$52,048.14	-
57	MAPLE VALLEY	1720	City	$51,594.91	-
58	WALLA WALLA CITY	3604	City	$48,780.49	-
59	LAKE STEVENS	3109	City	$48,667.73	-
60	DOUGLAS COUNTY	900	County	$47,649.71	-
61	BURIEN	1734	City	$46,588.45	-
62	ANACORTES	2901	City	$46,386.08	-
63	ELLENSBURG	1902	City	$46,381.26	-
64	MOUNT VERNON	2907	City	$45,451.81	-
65	FRANKLIN COUNTY	1100	County	$44,637.99	-
66	UNIVERSITY PLACE	2719	City	$43,612.12	-
67	PORT TOWNSEND	1601	City	$43,093.32	-
68	EAST WENATCHEE	0902	City	$42,898.48	-
69	MUKILTEO	3114	City	$42,105.69	-
70	SEATAC	1733	City	$40,542.20	-
71	TUMWATER	3406	City	$39,197.95	-
72	LONGVIEW	0804	City	$38,745.29	-
73	SPOKANE PUBLIC FACILITY		Other	$38,128.94	-
74	MOUNTLAKE TERRACE	3113	City	$37,398.87	-
75	PACIFIC COUNTY	2500	County	$36,629.82	-
76	POULSBO	1803	City	$35,513.73	-
77	MARYSVILLE	3111	City	$34,976.86	-
78	SHELTON	2301	City	$33,432.67	-
79	BATTLE GROUND	0601	City	$33,346.19	-
80	CAMAS	0602	City	$32,958.87	-

81	MOSES LAKE	1309	City	$32,449.23	-
82	ENUMCLAW	1711	City	$31,130.36	-
83	COVINGTON	1712	City	$31,001.74	-
84	DES MOINES	1709	City	$30,382.70	-
85	STANWOOD	3116	City	$30,233.65	-
86	QUINCY	1310	City	$29,844.13	-
87	WEST RICHLAND	0305	City	$28,644.13	-
88	CENTRALIA	2101	City	$28,273.69	-
89	SELAH	3907	City	$27,638.29	-
90	PORT ORCHARD	1802	City	$26,886.23	-
91	PROSSER	0303	City	$25,846.91	-
92	NORTH BEND	1722	City	$25,807.73	-
93	PEND OREILLE COUNTY	2600	County	$25,678.66	-
94	LINCOLN COUNTY	2200	County	$24,681.37	-
95	ADAMS COUNTY	100	County	$24,300.36	-
96	EPHRATA	1303	City	$24,119.57	-
97	LAKEWOOD	2721	City	$23,698.47	-
98	MILL CREEK	3119	City	$23,484.50	-
99	DUVALL	1710	City	$23,090.14	-
100	WASHOUGAL	0606	City	$22,952.55	-
101	SEQUIM	0503	City	$21,672.20	-
102	BONNEY LAKE	2701	City	$20,475.33	-
103	KLICKITAT COUNTY	2000	County	$20,402.63	-
104	KENMORE	1738	City	$20,350.27	-
105	DUPONT	2704	City	$19,639.75	-
106	WENATCHEE	0405	City	$17,637.33	-
107	NEWCASTLE	1736	City	$17,282.55	-
108	FOOTBALL		Public Facilities District	$17,093.71	-
109	YELM	3407	City	$16,588.86	-
110	ABERDEEN	1401	City	$16,555.10	-
111	STEILACOOM	2715	City	$16,521.45	-
112	MEDINA	1718	City	$16,180.51	-
113	SUMAS	3707	City	$16,093.05	-
114	CLARKSTON	0202	City	$16,047.78	-
115	ORTING	2710	City	$15,981.87	-
116	FERRY COUNTY	1000	County	$15,907.14	-
117	COLLEGE PLACE	3601	City	$15,697.84	-
118	CHELAN CITY	0402	City	$15,511.75	-

119	LAKE FOREST PARK	1717	City	$14,856.94	-
120	ASOTIN COUNTY	200	County	$13,755.74	-
121	MONTESANO	1406	City	$12,853.28	-
122	BENTON CITY	0301	City	$12,765.27	-
123	FRIDAY HARBOR	2801	City	$12,469.82	-
124	NORMANDY PARK	1721	City	$12,290.65	-
125	BUCKLEY	2702	City	$12,128.66	-
126	WAPATO	3912	City	$11,762.23	-
127	COUPEVILLE	1501	City	$11,729.88	-
128	KELSO	0803	City	$11,415.08	-
129	FIRCREST	2707	City	$11,211.63	-
130	SKAMANIA COUNTY	3000	County	$11,152.33	-
131	GOLDENDALE	2002	City	$11,054.86	-
132	CLYDE HILL	1708	City	$10,854.28	-
133	EDGEWOOD	2720	City	$10,776.08	-
134	CLE ELUM	1901	City	$10,753.88	-
135	CHENEY	3202	City	$10,728.23	-
136	ZILLAH	3914	City	$10,504.25	-
137	OROVILLE	2408	City	$10,392.46	-
138	OCEAN SHORES	1409	City	$10,150.01	-
139	LANGLEY	1502	City	$9,937.41	-
140	MATTAWA	1308	City	$9,898.83	-
141	BRIER	3102	City	$9,892.22	-
142	EATONVILLE	2705	City	$9,838.47	-
143	ROYAL CITY	1311	City	$9,798.83	-
144	COLFAX	3802	City	$9,730.17	-
145	BREWSTER	2401	City	$9,625.12	-
146	NEWPORT	2605	City	$9,182.58	-
147	BLACK DIAMOND	1705	City	$9,123.66	-
148	COLUMBIA COUNTY	700	County	$8,977.99	-
149	CASHMERE	0401	City	$8,905.61	-
150	SULTAN	3117	City	$8,841.00	-
151	KALAMA	0802	City	$8,521.36	-
152	CONNELL	1101	City	$8,343.08	-
153	EVERSON	3703	City	$8,314.28	-
154	GRANITE FALLS	3107	City	$7,970.66	-
155	CARNATION	1707	City	$7,882.88	-
156	LEAVENWORTH	0404	City	$7,879.29	-
157	LA CONNER	2905	City	$7,640.26	-

158	TENINO	3405	City	$7,161.21	-
159	FORKS	0501	City	$6,963.23	-
160	WAHKIAKUM COUNTY	3500	County	$6,740.97	-
161	OMAK	2407	City	$6,652.02	-
162	WESTPORT	1408	City	$6,571.89	-
163	CHEWELAH	3301	City	$6,528.80	-
164	RAYMOND	2503	City	$6,496.84	-
165	GRANDVIEW	3901	City	$6,447.68	-
166	AIRWAY HEIGHTS	3201	City	$6,403.46	-
167	DAYTON	0701	City	$6,268.99	-
168	MESA	1103	City	$6,227.30	-
169	WARDEN	1313	City	$6,139.17	-
170	TWISP	2412	City	$6,063.85	-
171	DAVENPORT	2203	City	$5,822.74	-
172	SUNNYSIDE	3908	City	$5,723.30	-
173	KETTLE FALLS	3303	City	$5,713.96	-
174	CHEHALIS	2102	City	$5,573.66	-
175	WHITE SALMON	2003	City	$5,543.41	-
176	TONASKET	2411	City	$5,438.64	-
177	BEAUX ARTS VILLAGE	1703	City	$5,334.88	-
178	CASTLE ROCK	0801	City	$5,333.48	-
179	ROY	2712	City	$5,203.51	-
180	CONCRETE	2903	City	$5,176.57	-
181	REPUBLIC	1001	City	$5,033.11	-
182	NAPAVINE	2105	City	$5,022.19	-
183	MABTON	3904	City	$4,940.17	-
184	WOODLAND	0805	City	$4,865.65	-
185	MCCLEARY	1405	City	$4,859.46	-
186	LA CENTER	0603	City	$4,739.23	-
187	RAINIER	3404	City	$4,722.15	-
188	DARRINGTON	3103	City	$4,492.47	-
189	ROSLYN	1904	City	$4,464.26	-
190	GRANGER	3902	City	$4,443.52	-
191	SOUTH BEND	2504	City	$4,230.50	-
192	YARROW POINT	1730	City	$4,161.62	-
193	TIETON	3909	City	$4,132.49	-
194	CATHLAMET	3501	City	$4,098.93	-
195	MEDICAL LAKE	3206	City	$3,942.47	-
196	GOLD BAR	3106	City	$3,758.58	-

197	RUSTON	2713	City	$3,748.60	-
198	WOODWAY	3118	City	$3,719.72	-
199	RITZVILLE	0104	City	$3,702.92	-
200	TOLEDO	2107	City	$3,561.56	-
201	ENTIAT	0403	City	$3,528.01	-
202	WINTHROP	2413	City	$3,446.66	-
203	ILWACO	2501	City	$3,299.78	-
204	YACOLT	0607	City	$2,998.12	-
205	NACHES	3906	City	$2,995.60	-
206	PRESCOTT	3602	City	$2,954.17	-
207	SOAP LAKE	1312	City	$2,872.85	-
208	KITTITAS CITY	1903	City	$2,855.56	-
209	ROSALIA	3813	City	$2,820.20	-
210	OKANOGAN CITY	2406	City	$2,805.16	-
211	WINLOCK	2109	City	$2,778.20	-
212	GRAND COULEE	1305	City	$2,730.16	-
213	HARRAH	3903	City	$2,725.42	-
214	IONE	2602	City	$2,599.28	-
215	BRIDGEPORT	0901	City	$2,578.88	-
216	ODESSA	2205	City	$2,538.79	-
217	GEORGE	1304	City	$2,485.45	-
218	BINGEN	2001	City	$2,457.35	-
219	STEVENSON	3002	City	$2,451.39	-
220	PATEROS	2409	City	$2,400.55	-
221	WATERVILLE	0905	City	$2,334.58	-
222	WILBUR	2208	City	$2,300.13	-
223	COWLITZ PFD COLUMBIA THEATRE		Other	$2,289.12	-
224	METALINE FALLS	2604	City	$2,272.97	-
225	ELMA	1403	City	$2,268.75	-
226	COLVILLE	3302	City	$2,215.92	-
227	FERNDALE	3704	City	$2,135.09	-
228	GARFIELD COUNTY	1200	County	$2,112.88	-
229	WAITSBURG	3603	City	$2,064.97	-
230	YAKIMA PFD CAPITOL THEATRE		Other	$2,032.50	-
231	SKYKOMISH	1727	City	$1,998.78	-
232	HUNTS POINT	1713	City	$1,989.03	-
233	LIND	0102	City	$1,876.27	-
234	PALOUSE	3811	City	$1,868.24	-
235	COSMOPOLIS	1402	City	$1,822.08	-

236	OAKVILLE	1407	City	$1,739.27	-
237	UNION GAP	3911	City	$1,678.23	-
238	TEKOA	3815	City	$1,612.59	-
239	POMEROY	1201	City	$1,603.20	-
240	REARDAN	2206	City	$1,569.66	-
241	ELECTRIC CITY	1302	City	$1,490.77	-
242	NORTHPORT	3305	City	$1,426.53	-
243	SOUTH CLE ELUM	1905	City	$1,422.04	-
244	DEER PARK	3203	City	$1,361.09	-
245	COULEE DAM	2403	City	$1,343.07	-
246	SOUTH PRAIRIE	2714	City	$1,334.95	-
247	EVERETT	3105	City	$1,306.60	-
248	MOSSYROCK	2104	City	$1,283.40	-
249	RIDGEFIELD	0604	City	$1,212.06	-
250	MANSFIELD	0903	City	$1,123.27	-
251	SPRINGDALE	3306	City	$1,082.69	-
252	ARLINGTON	3101	City	$1,074.35	-
253	CARBONADO	2703	City	$1,064.92	-
254	ALMIRA	2201	City	$1,053.34	-
255	NORTH BONNEVILLE	3001	City	$1,052.34	-
256	CUSICK	2601	City	$1,043.40	-
257	HAMILTON	2904	City	$1,015.05	-
258	COLTON	3803	City	$948.50	-
259	WILKESON	2718	City	$944.93	-
260	BUCODA	3401	City	$930.20	-
261	MILLWOOD	3207	City	$924.43	-
262	SEDRO WOOLLEY	2908	City	$902.08	-
263	CRESTON	2202	City	$893.77	-
264	ASOTIN CITY	0201	City	$861.19	-
265	PE ELL	2106	City	$827.10	-
266	GARFIELD	3806	City	$804.73	-
267	ENDICOTT	3804	City	$784.00	-
268	MOXEE CITY	3905	City	$747.51	-
269	LYMAN	2906	City	$722.37	-
270	ROCK ISLAND	0904	City	$697.64	-
271	SPRAGUE	2207	City	$695.09	-
272	VADER	2108	City	$655.47	-
273	WASHTUCNA	0105	City	$647.06	-
274	RIVERSIDE	2410	City	$645.82	-

275	HARTLINE	1306	City	$560.22	-
276	WILSON CREEK	1315	City	$540.22	-
277	NESPELEM	2405	City	$529.33	-
278	FARMINGTON	3805	City	$515.46	-
279	KAHLOTUS	1102	City	$457.21	-
280	OAKESDALE	3810	City	$424.08	-
281	HARRINGTON	2204	City	$377.79	-
282	HATTON	0101	City	$369.90	-
283	SPANGLE	3209	City	$330.71	-
284	ROCKFORD	3208	City	$325.61	-
285	INDEX	3108	City	$321.97	-
286	ALBION	3801	City	$314.77	-
287	ELMER CITY	2404	City	$309.01	-
288	CONCONULLY	2402	City	$286.81	-
289	MALDEN	3809	City	$225.43	-
290	LACROSSE	3807	City	$199.58	-
291	MARCUS	3304	City	$190.50	-
292	UNIONTOWN	3816	City	$185.06	-
293	MORTON	2103	City	$173.94	-
294	LAMONT	3808	City	$166.88	-
295	METALINE	2603	City	$155.84	-
296	STARBUCK	0702	City	$128.07	-
297	WAVERLY	3211	City	$72.83	-
298	KRUPP	1307	City	$40.60	-
	Total Jurisdictions Not Receiving Payments			$12,537,745.15	
	Net Sourcing Impacts (Includes Reductions for Voluntary Compliance and WA Marketplace Fairness Act))			$10,049,642.01	