

**AGREEMENT FOR STATE ADMINISTRATION OF
SALES AND USE TAX**

Contract No. AGR97109

THIS AGREEMENT ("Agreement") is entered into by and between the **City of Mercer Island** ("City") and the State of Washington Department of Revenue ("Department") for the administration of Regular/Optional Sales and Use Tax. This Agreement is effective July 1, 1997.

PURPOSE:

WHEREAS, The Legislature of the State of Washington has by RCW 82.14.030(2) authorized the City to impose an optional local sales and use tax, and

WHEREAS, It is provided in RCW 82.14.050 that the City imposing a sales and use tax by ordinance or resolution shall contract with the Department for the administration and collection of said taxes; and

WHEREAS, The City has by resolution or ordinance, copy attached hereto, elected to fix and impose a sales and use tax of five-tenths of one percent (.5%) and an additional sales and use tax of five-tenths of one percent (.5%) commencing with the start date within the ordinance or resolution and to contract with the Department for collection of the tax;

NOW, THEREFORE, to provide for the administration the parties agree as follows:

1. The Department shall exclusively perform all functions incident to the administration and collection of the taxes imposed by the said ordinances or resolutions, other than criminal prosecutions.
2. The Department shall retain from the taxes so collected for Regular/Optional Sales and Use Tax the amount of (1.0%) thereof as expenses of administration and collection. Said percentage amount shall be subject to review during January of each year.
3. In accordance with RCW 82.32.320, the remainder of said taxes so collected shall be deposited by the Department in the Local Sales and Use Tax Revolving Fund under the custody of the State Treasurer and shall be distributed as provided by law.

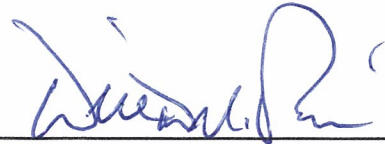
4. The Department shall apply the provisions contained in chapters 82.03, 82.08, 82.12, 82.14, and 82.32 RCW, as the same exist or may hereafter be amended and insofar as the same are applicable to Sales/Use Tax taxes. The Department performs its duties hereunder so that as far as possible the Sales/Use Taxes shall be administered and collected uniformly with the state's sales and use taxes. Rules and regulations adopted by the Department to facilitate the administration and distribution of the local option taxes shall be in accordance with the State Administrative Procedure Act and RCW 82.14.330. Adopted rules and regulations shall have the same force and effect on Sales/Use Taxes insofar as the same are applicable.
5. The City shall have the right from time to time to examine the records of the Department as they concern the City or the taxpayers of the City subject to the aforementioned ordinances or resolutions.
6. The allocation of local sales and use tax collections will be made by the Department to the State Treasurer within thirty (30) days after the due date of the taxable period for which local sales and use taxes are imposed pursuant to ordinances or resolutions. Distribution of taxes to the City shall be made in accordance with RCW 82.14.330.
7. All refunds and credits for local sales and use taxes made by the Department shall be charged to the City.
8. The Department shall require redistribution upon 10 days notice to the affected City, of any tax, distributed to a City or County other than City entitled thereto but such redistribution shall not be made as to amounts originally distributed earlier than six monthly periods prior to the monthly period in which the Department obtains knowledge of the improper distribution.
9. The Department shall provide taxpayer information, documentation and reports to the City in accordance with the disclosure limitations of RCW 82.32.330. Authorized representatives of the City requesting and receiving confidential information will sign a Department Secrecy Clause and comply with RCW 82.32.330.
10. The parties agree to establish and maintain open lines of communication and to work cooperatively in order to improve administration and public understanding of the City Taxes. Either party may initiate a meeting, to be held at a mutually convenient time and place, to share information and to discuss

matters related to administration and collection of the City taxes.

11. In the event that a dispute arises under this Agreement, either party may elect mediation in which the Department and City shall each individually appoint one member to a Dispute Board and those members shall select a third member. The Dispute Board shall evaluate the dispute and make a written determination after considering the relevant facts and legal authorities. The Dispute Board's determination shall be given significant weight by both parties who will meet after the determination is issued to resolve the dispute. If a resolution is not reached, the determination of the Dispute Board shall be admissible in any future legal proceeding between the parties concerning the dispute. Each party shall be responsible for a proportionate share of the costs of the member of the Dispute Board. This remedy is not intended to be exclusive of other remedies existing in law, by statute or otherwise.
12. In the extent permitted by law, the City agrees to defend and hold harmless the Department or the State of Washington from claims that challenge the authority of the City to impose the Sales/Use Taxes as identified in the aforementioned ordinances or resolutions. The City agrees that in the event there shall be a legal challenge to the ordinances or resolutions or otherwise, the Department shall not be obligated to represent the City or otherwise to defend its position in any proceeding relating to such challenge.
13. The allocation of unidentifiable local sales and use tax collections (pool funds) among the various local taxing jurisdictions will be made by the Department to the State Treasurer within thirty (30) days after the due date of the taxable period for which local sales and use taxes are imposed pursuant to ordinances or resolutions.
14. This agreement shall take effect at 12:01 AM, July 1, 1997, and shall thereafter be automatically renewed on December 31, of each year unless one of the parties gives written notice of termination on or before November 1, of each such year. The parties to this agreement will notify each other in a timely manner when they find it necessary to request an amendment to this agreement.

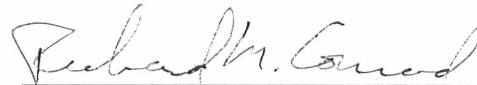
IN WITNESS WHEREOF, the State of Washington, Department of Revenue and the City of Mercer Island have executed this contract as of the day and year written below.

06/09/97
Date



William N. Rice
Acting Deputy Director
Department of Revenue

10/7/97
Date



~~XXXX~~ City Manager
City of Mercer Island

Approved as to form: On file
Assistant Attorney General
State of Washington