

**AGREEMENT FOR THE STATE ADMINISTRATION AND COLLECTION OF  
LOCAL NATURAL GAS USE TAX BETWEEN THE STATE OF  
WASHINGTON, DEPARTMENT OF REVENUE AND THE CITY OF  
LAKEWOOD**

THIS AGREEMENT ("Agreement") is entered into by and between the city of Lakewood, a political subdivision of the State of Washington (herein referred to as ("City")) and the State of Washington, Department of Revenue ("Department") for the administration of the local natural gas use tax imposed by the City. This Agreement is effective January 1, 2011.

**RECITALS**

WHEREAS, the Legislature of the State of Washington by RCW 82.14.230 authorized cities to impose a local natural gas use tax; and

WHEREAS, it is provided by reference to RCW 82.14.050, that any city imposing a local natural gas uses tax by resolution or ordinance shall, prior to the effective date thereof, contract with the Department for the administration and collection of said tax; and

WHEREAS, the City has by resolution or ordinance, copy attached hereto, indicated its intention to fix and impose a local natural gas use tax; and

NOW, THEREFORE, to provide for the administration of local natural gas use tax charges, the parties agree as follows:

**AGREEMENT**

1. **Incorporation of Recitals.** The above recitals are true and correct and are incorporated herein by this reference as if fully set forth.
2. **Functions of the Department.** The Department shall exclusively perform all functions incident to the administration and collection for the natural gas use tax imposed by the resolution or ordinance. The Department shall collect the tax from businesses that use natural gas in the state under Chapter 82.14 RCW.
3. **Administration and Collection.** The Department shall retain from the taxes so collected the amount of two percent thereof as expenses of administration and collection.
4. **New or Additional Legislation.** In addition to the resolution or ordinance attached hereto, the City shall provide the Department with copies of any new and/or additional resolution or ordinance imposing any new charges or changing the rate of any tax. Such copies shall be provided to the Department no later than 75 days prior to the effective date of the resolution or ordinance. Subject to the limitations under RCW 82.14.230, the Department shall administer and collect those charges that are identified in the new

and/or additional resolution or ordinance pursuant to this Agreement under the same terms and conditions as for the charges imposed under the resolution or ordinance.

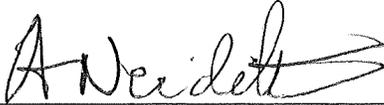
5. **Collection of Local Natural Gas Use Tax.** The Department shall collect the local natural gas use tax the following month after the due date of the taxable period for which charges are imposed pursuant to the resolution or ordinance in accordance with RCW 82.14.050.
6. **Rules and Regulations Adopted by the Department.** Any specific rules and regulations adopted by the Department to facilitate the administration and distribution of the natural gas use tax shall be in accordance with the State Administrative Procedure Act and RCW 82.14. Until specific rules and regulations are adopted, 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 relevant to local natural gas use tax. Such provisions shall have full force and effect of Department rules when applied to local natural gas use tax.
7. **Uniform Collection.** The Department performs its duties hereunder so that as far as possible the local natural gas use tax charges shall be administered and collected uniformly with the state's sales and use taxes.
8. **Refunds or Credits.** Any refunds or credits the Department finds are owed relating to the local natural gas use tax shall be refunded to the taxpayer from the City's portion of the local natural gas use tax.
9. **Notification of Error of Fund Distribution.** Either party shall have six months from the date funds are distributed by the state treasurer to notify the other party in writing of any error in the amount of distributed funds. The party receiving such notice shall have sixty (60) days to review the claim. Upon agreement of the parties, the Department shall deposit any necessary additional funds with the state treasurer for distribution to the City; or in the event of an over-distribution to the City, the City shall return such over-distribution to the Department. If the City and the Department cannot reach an agreement, the parties agree to attempt mediation or other dispute resolution process prior to instigating litigation in Superior Court.
10. **Disclosure of Taxpayer Information, Documentation and Reports.** The Department shall provide taxpayer information, documentation and reports to the City in accordance with the disclosure limitations of RCW 82.32.330. The City shall require its authorized representatives that have access to confidential taxpayer information to sign a Department Secrecy Clause Affidavit and shall ensure such representatives comply with RCW 82.32.330.
11. **Parties' Communication and Cooperation.** 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 local natural gas use tax. 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 local natural gas use tax.

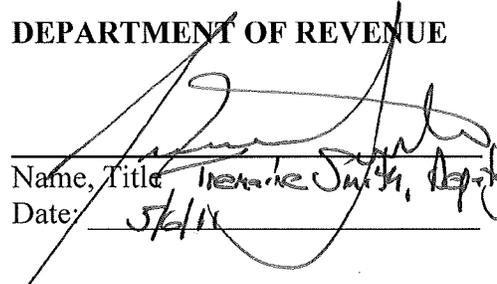
12. **Disputes.** In the event a dispute arises under this Agreement that cannot be resolved by mutual agreement of the parties, either party may elect arbitration in which the Department and City shall each individually appoint one member to a Dispute Board and those members shall select a third member. 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.
13. **Indemnification.** To the extent permitted by law, the City agrees to indemnify, defend, and hold harmless the Department for the State of Washington from claims that challenge the authority of the City to impose local natural gas use tax pursuant to the resolution or ordinance. The City agrees that in the event there shall be a legal challenge to the resolution or ordinance, the Department shall not be obligated to represent the City or otherwise defend its position in any proceeding relating to such challenge.
14. **Term.** This Agreement is effective upon signing and will remain in full effect and will be binding on the parties until terminated by any party. Any party may terminate this agreement on at least sixty (60) days advance written notice, unless the parties agree in writing to a shorter notice period.
15. **Waiver.** Any failure by any party to insist upon strict performance of any provision of this Agreement shall not be deemed a waiver of the right to require future strict performance of such provision; no failure or delay in exercising any right or remedy hereunder shall be deemed a waiver of such right or remedy. No term or condition of this Agreement shall be waived, modified or deleted except by an instrument, in writing, signed by personnel authorized to bind each of the parties.
16. **Modification.** This Agreement may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.
17. **Entire Agreement.** This Agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind any of the parties hereto.
18. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and which together constitute one and the same.

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

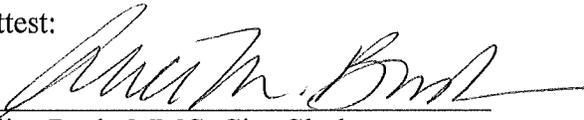
**CITY OF LAKEWOOD**

  
\_\_\_\_\_  
Andrew Neiditz, City Manager  
Date: 1-19-11

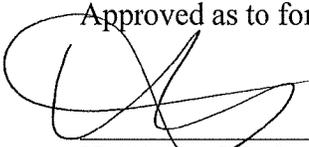
**DEPARTMENT OF REVENUE**

  
\_\_\_\_\_  
Name, Title Jennifer Smith, Deputy Director  
Date: 5/6/11

Attest:

  
\_\_\_\_\_  
Alice Bush, MMC, City Clerk  
1-19-11

Approved as to form:

  
\_\_\_\_\_  
Heidi Ann Wachter, City Attorney  
Dr. MCKENZIE  
ASSIST. CITY ATTORNEY  
TW