

# HOUSE BILL REPORT

## SHB 2760

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As Amended by Senate

**Title:** An act relating to authorizing sales and use tax equalization payments for transit systems.

**Brief Description:** Authorizing sales tax equalization for transit systems.

**Sponsors:** By House Committee on Transportation (originally sponsored by Representatives R. Fisher, Zellinsky, Schmidt, Wood, Sheldon, R. Meyers, Jones, Sehlin and Kessler).

**Brief History:**

Reported by House Committee on:  
Transportation, February 3, 1994, DPS;  
Passed House, February 12, 1994, 66-28;  
Amended by Senate.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 20 members: Representatives R. Fisher, Chair; Brown, Vice Chair; Jones, Vice Chair; Schmidt, Ranking Minority Member; Backlund; Cothorn; Eide; Finkbeiner; Hansen; Heavey; Johanson; J. Kohl; Orr; Patterson; Quall; Romero; Sheldon; Shin; Wood and Zellinsky.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Mielke, Assistant Ranking Minority Member; Brough; Forner; Fuhrman and Horn.

**Staff:** Roger Horn (786-7839).

**Background:** Transit agencies are authorized to impose, with voter approval, a sales tax of up to 0.6 percent within their district. Of the 24 transit agencies in the state, 22 collect sales tax of from 0.1 percent to 0.6 percent.

Transit agencies also are eligible to receive revenue out of motor vehicle excise tax (MVET) revenues. The amount received is equal to one of the following, whichever is less: (1) 0.725 percent of vehicle value collected as MVET within the boundaries of the transit district, or (2) the amount of local revenue, generally sales tax, collected specifically for the transit agency.

The difference between what an agency could match at 0.815 percent MVET and what can be matched at 0.725 percent MVET is placed in one of two transit accounts: the Central Puget Sound public transportation account (CPSPTA) for transit districts in King, Pierce, Snohomish and Kitsap counties, and the public transportation systems account (PTSA) for districts in any other county.

An amount equivalent to 4.5 percent of the 0.725 percent MVET available to transit agencies in King, Pierce, Snohomish, Thurston, Clark, Kitsap, Yakima and Spokane counties is placed in the high capacity transportation account (HCTA).

The difference between the 0.815 percent MVET and the amount of MVET collectively going to the transit agency, the CPSPTA, the PTSA and the HCTA is referred to as the transit residual. The transit residual is deposited in the general fund. Effective July 1, 1995, the transit residual will be deposited in the transportation fund.

Cities and counties receive sales and use tax equalization payments out of MVET revenues.

**Summary of Bill:** Effective with distributions to transit districts on January 1, 1996, sales and use tax equalization payments are made to transit agencies that collected less than 80 percent of the state per capita average in transit sales tax during the preceding calendar year. Sales and use tax equalization is paid from MVET revenues and deducted from the transit residual. The amount of sales and use tax equalization paid to a transit agency is not restricted by the 0.725 percent MVET limit. For newly established transit agencies and existing agencies imposing the transit sales tax after January 1, 1995, the sales and use tax equalization payment is prorated by the number of months the agency has collected sales tax.

**EFFECT OF SENATE AMENDMENT(S):** Transit agencies imposing the B&O or household/utility transit taxes are also made eligible for sales and use tax equalization payments. Equalization payments to an agency are limited to 50 percent of their previous year's local transit tax collections. Equalization payments are based on per capita sales and use tax collections within the entire state rather than collections within transit districts. Transit agencies that decrease their local transit tax rate are not eligible for equalization payments.

**Fiscal Note:** Requested January 24, 1994.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Rural transit agencies need additional funding to meet local transportation needs. For transit agencies not receiving sales and use tax equalization, distributions will be unaffected. Sparsely populated transit districts next to larger districts and transit districts in depressed areas have inadequate sales tax bases.

**Testimony Against:** None.

**Witnesses:** Dan Diguilio, Pacific Transit; Pat Hamilton, Pacific Transit; Hugh Moes, Washington State Transit Association; and Steve Ross, Amalgamated Transit Union.

**VOTE ON FINAL PASSAGE:**

Yeas 66; Nays 28; Excused 4

Nays: Representatives Anderson, Appelwick, Ballard, Brough, Casada, Cooke, Dyer, Finkbeiner, Forner, Fuhrman, Heavey, Johanson, Long, McMorris, Mielke, Padden, Roland, Rust, Sheldon, Silver, Sommers, Stevens, Talcott, Tate, B. Thomas, L. Thomas, Valle, Wolfe

Excused: Representatives Ballasiotes, Horn, Riley, Van Luven