

# HOUSE BILL REPORT

## HB 1675

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**As Reported By House Committee On:**  
Transportation Policy & Budget

**Title:** An act relating to sales and use taxes for public transportation systems operated by cities.

**Brief Description:** Counting certain local sales tax revenue as locally generated.

**Sponsors:** Representatives Skinner, Scott, O'Brien, Zellinsky, Fisher, Radcliff, Thompson, Cooper, Costa, Dunshee, Ogden, Chandler, K. Schmidt, Constantine, Lisk, Anderson and Clements.

**Brief History:**

**Committee Activity:**

Transportation Policy & Budget: 2/17/97, 2/24/97 [DP].

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### HOUSE COMMITTEE ON TRANSPORTATION POLICY & BUDGET

**Majority Report:** Do pass. Signed by 24 members: Representatives K. Schmidt, Chairman; Hankins, Vice Chairman; Mielke, Vice Chairman; Mitchell, Vice Chairman; Fisher, Ranking Minority Member; Blalock, Assistant Ranking Minority Member; Cooper, Assistant Ranking Minority Member; Backlund; Buck; Cairnes; Chandler; Constantine; Hatfield; Johnson; Murray; O'Brien; Ogden; Radcliff; Robertson; Scott; Skinner; Sterk; Wood and Zellinsky.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives DeBolt and Romero.

**Staff:** Gene Baxstrom (786-7303).

**Background:** Local public transportation services in Washington are provided by several different types of local agencies: (1) a countywide municipal corporation in King County; (2) four city systems; (3) one countywide authority in Grays Harbor County; and (4) 19 public transportation benefit areas throughout the state. These benefit areas include both incorporated and unincorporated areas and are governed by boards made up of city and county officials.

Tax support for these systems is a local sales and use tax of up to 0.6 percent, or utility tax or household tax. Local transit systems may also impose a motor vehicle

excise tax (MVET) of up to 0.725 percent. The amount of these collections must be matched by local tax revenues; and the MVET rate is credited against the state MVET rate so the effective rate for local residents does not change.

When the sales tax was authorized for city systems, and for county systems operating only in an unincorporated area, a provision was added to preclude sales tax revenues collected for those agencies from being counted as local match for the purpose of permitting them to impose the MVET for transit purposes. This provision was added to encourage city-only systems to expand services beyond their municipal boundaries. Because of this provision, all transit systems receive MVET revenues except city-operated transit systems in Everett and Yakima, which generate local transit tax revenues from the sales tax.

**Summary of Bill:** The preclusion on cities counting transit sales tax collections for the purpose of match for collecting the motor vehicle excise tax (MVET) is modified to permit cities over 60,000 persons, operating a transit system on January 1, 1997, to count transit sales tax collections as match for the MVET.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This provides equitable treatment for the Everett and Yakima transit systems compared to other systems. Additional funds are needed to avoid further service reductions.

**Testimony Against:** This requirement was established to insure development of regional systems. That policy has worked well. If those cities need additional funding, it should come through regional systems.

**Testified:** Ernie Berger, Yakima City Council (pro); Ray Stephenson, city of Everett (pro); Ross Wood, Community Transit Board of Directors (con); Jeanne Edwards, Community Transit Board of Directors (con); Gary Nelson, Community Transit Board of Directors (con); Craig Olson, Association of Washington Cities (pro); and Paul W. Locke, citizen (pro).