

SENATE BILL REPORT

SB 5962

AS REPORTED BY COMMITTEE ON TRANSPORTATION, APRIL 5, 1993

Brief Description: Implementing the transportation and economic development act of 1993.

SPONSORS: Senator Vognild; by request of Governor Lowry

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5962 be substituted therefor, and the substitute bill do pass.

Signed by Senators Vognild, Chairman; Skratek, Vice Chairman; Barr, Drew, Haugen, Nelson, Prentice, Prince, M. Rasmussen, Sellar, Sheldon, and Winsley.

Minority Report: Do not pass substitute.

Signed by Senators Loveland, Vice Chairman; Oke, and von Reichbauer.

Staff: Gene Baxstrom (786-7303)

Hearing Dates: April 5, 1993

BACKGROUND:

Motor vehicle fuel and special fuels subject to the state gasoline tax are currently exempt from the state sales and use tax. Exemption from the state sales and use tax currently exempts those fuels from local government sales and use taxes.

The current tax rate on motor fuels, gasoline and special fuel, is 23 cents per gallon. Revenue from this tax is distributed for roadway related expenditures to various agencies including the Department of Transportation, cities and towns, counties, the Transportation Improvement Board, the state ferry system and to the Department of Licensing to offset administrative costs.

Local transit agencies are currently planning High Capacity Transportation (HCT) Systems in the central Puget sound area and in Clark County. In central Puget sound, the HCT system plan will be provided to King, Pierce and Snohomish counties, and the councils of two or more contiguous counties can opt to form a Regional Transit Authority. That RTA, and transit agencies in Clark, Kitsap, Spokane, Thurston, and Yakima counties have authority to impose, with voter approval, HCT taxes to develop an HCT system. That tax authority is an up to 1.0 percent sales and use tax (0.9 percent if the .1 percent criminal justice tax is imposed), 0.8 percent Motor Vehicle Excise Tax, and \$2/month employer tax.

The alcohol component of gasohol fuel is exempt from the motor fuel tax.

The imposition of a local option general sales tax (maximum allowed is up to 0.6 percent) for transit requires voter approval. Any increases above that rate approved by the voters is also subject to voter approval. Transit systems (except city operated systems using the local option sales tax) can only use locally generated tax revenues as match in order to impose the Motor Vehicle Excise Tax.

A portion of each vehicle license fee goes to the Motor Vehicle Fund and the Puget Sound Ferry Operations Account, with the remainder going to the State Patrol Highway Account, which funds State Patrol highway activities. The vehicle license element of combined license fees for trucks are distributed like other vehicle license fees except that the tonnage portion of the license goes to the Motor Vehicle Fund.

Driver license fees go both to the General Fund (24 percent) and to the Highway Safety Fund (76 percent).

Ridesharing vehicles are exempt from the Motor Vehicle Excise Tax and the Sales and Use Tax. This exemption expires on June 30, 1995.

SUMMARY:

The exemption from the state sales and use tax on motor vehicle fuel and special fuels (gasoline and other fuels) is repealed. This also subjects motor fuels to local sales and use taxes.

The proceeds from the sales tax on motor fuels are dedicated to the High Capacity Transportation (HCT) Account for funding the capital costs of HCT systems, including debt service. Before July 1, 1996 and after July 1, 2011, funds not needed for HCT may be granted or loaned for other enumerated transportation capital purposes, including: passenger rail and commuter rail service; high occupancy vehicle (HOV) lanes and facilities; ferry vessels and facilities; and transit vehicles and facilities. A process, administered by the Department of Transportation, is prescribed for distributing funds to agencies developing HCT systems and for other transportation purposes.

The state tax on motor fuels is increased by five cents per gallon on July 1, 1993 and on July 1, 1994. An additional fuel tax rate to be determined by the Legislature, but not exceeding two cents per gallon, is to be imposed July 1, 1997 and until June 30, 2003. Tax proceeds are to reimburse the HCT Account for funds expended from that account to construct HOV lanes and facilities during the period July 1, 1993 through June 30, 1999.

Proceeds from the June, 1993 five cents per gallon motor fuel tax increase are to be distributed as follows: 1.9 cents to the Department of Transportation (1.4 cents for general state

highways, including 0.45 for multimodal programs, and 0.5 cents for HOV lane construction and bonds); 0.4 cents to cities and towns; 1.65 cent to counties; 0.75 to the Transportation Improvement (TIB) Account; and 0.3 cents to DOT for a rural economic diversification support program for public roads.

Proceeds from the July, 1994 five cents per gallon motor fuel tax increase are distributed as follows: 2.25 cents to the DOT (1.0 cents for general state highways including 0.25 cents for multimodal programs, 0.75 cents for Special Category C, and 0.5 cents for HOV lanes); 0.4 cents to cities and towns; 1.65 cents to counties; 0.5 cents to TIB; and 0.2 cents to the DOT for economic diversification support.

Effective January 1, 1994, combined license fees and special permits for trucks are increased by 50 percent, except for trucks licensed for 4000 lbs. and 6000 lbs., which are increased by 20 percent. Weight tables are updated to provide gross weight fees up to 105,000 rather than requiring monthly and quarterly permits for such vehicles. General authorization to the DOT for the sale of temporary additional tonnage is provided and specific authorization for monthly and quarterly permits is repealed. Fees from the increase in combined license fees accrue to the Motor Vehicle Fund for the DOT, with a proportional increase to the ferry system.

The current fuel tax exemption on the alcohol component of gasohol is repealed.

The local option sales tax rate to fund HCT is reduced from 1.0 percent to 0.5 percent (0.9 percent to 0.4 percent where the 0.1 percent criminal justice tax is imposed).

After the initial vote to create a transit system, the governing authorities of transit systems are authorized to increase the local sales tax rate up to the statutory limit (0.6 percent) without additional voter approval.

Local transit systems are authorized to use locally generated non-tax revenue, such as farebox and advertising revenues, for matching the Motor Vehicle Excise Tax.

The voter approval requirement for imposition of the local option vehicle fuel tax by counties is removed but is subjected to referendum.

The June 30, 1995 sunset on the Motor Vehicle Excise Tax and Sales and Use Tax exemptions for ridesharing vehicles is repealed.

EFFECT OF PROPOSED SUBSTITUTE:

Strikes original bill and contains the following provisions:

The state tax on motor fuels is increased by four cents per gallon on June 1, 1993 and by three cents on October 1, 1993.

Proceeds from the June, 1993 four cents per gallon motor fuel tax increase are to be distributed as follows: 2.75 cents to the Department of Transportation (1.75 cents for general state highways, 0.75 cents for high occupancy vehicle (HOV) lane construction and bonds and 0.25 cents for Special Category C projects); 0.25 cents to cities and towns; 0.75 cents to counties; and .25 cents is not earmarked for distribution.

Proceeds from the October, 1993 three cents per gallon motor fuel tax increase are distributed as follows: 0.5 cents to the DOT for Special Category C projects; 0.5 cents to cities and towns; 0.75 cents to counties; 1.0 cents to TIB; and 0.25 cents is not earmarked for distribution.

Combined license fees and special permits for trucks are increased by 20 percent effective January 1, 1994. Weight tables are updated to provide gross weight fees up to 105,000 rather than requiring monthly and quarterly permits for such vehicles. Authorization for the sale of blank trip permits is eliminated. General authorization to the DOT for the sale of temporary additional tonnage is provided and specific authorization for monthly and quarterly permits is repealed. Fees from the increase in combined license fees accrue to the Motor Vehicle Fund for the DOT, with a proportional increase to the ferry system.

Vehicle registration fees are increased by \$5 annually, effective January 1, 1994 changing vehicle license renewals from \$23.75 to \$28.75 and new registrations from \$27.75 to \$32.75. All new revenues will be deposited into the State Patrol Highway Account.

The driver's license fee is increased from \$14 to \$20 and the identicard fee is increased from \$4 to \$15, effective July 1, 1993. The additional driver's license fee goes to the Highway Safety Fund. Effective October 1, 1993, the driver's license exam fee (\$7) and the motorcycle endorsement exam fee (\$2) are increased to \$15. Revenue from fee increases will go to the Highway Safety Fund.

The June 30, 1995 sunset on the Motor Vehicle Excise Tax and Sales and Use Tax exemptions for ridesharing vehicles is repealed.

Appropriation: none

Revenue: yes

Fiscal Note: none requested

TESTIMONY FOR:

This multifaceted approach would provide funding to address both urban and rural transportation needs. It provides multi-modal approach to transportation funding including state participation in addressing rapid transit needs in urban areas. Transportation capacity must be increased to keep the state economically competitive. Funds are needed by local

governments. This would provide significant jobs throughout the state.

TESTIMONY AGAINST:

Regional transit project in central Puget Sound is very expensive and its impact on relieving congestion is questionable. Too many transportation resources for a project that is of questionable benefit. It's too expensive for truck operators; it would force some to go out of business or out of state. Fuel prices vary around the state and therefore sales tax levels would be different (on a per gallon basis). This violates the use tax principle.

TESTIFIED: PRO: Sid Morrison, Office of the Governor; Duane Berentson, WSDOT; Tom Stenger, Washington Transportation Policy Institute; Phyllis Lamphere, Vic Erickson, Seattle/King County EDC; Gary Lowe, Association of Washington Counties; Stan Finkelstein, Washington Association of Cities; Bob Dilger, Washington Building Trades; CON: Larry Pursley, Washington Trucking Association; Bruce Olsen, AAA; Kemper Freeman, Jr., Kemper Development Company; Bill Eager, Transportation Discussion Group; Martin Sangster, Highway Users; Mike Sciacca, Washington Oil Marketeers Association; Tim Hamilton, Automotive United Trades Association; Paul W. Locke