

# SENATE BILL REPORT

## SB 5314

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As of March 27, 1997

**Title:** An act relating to disposition of motor vehicle excise tax revenues.

**Brief Description:** Removing restrictions on revenue distributions to local criminal justice assistance accounts.

**Sponsors:** Senators Newhouse, West, Snyder, Haugen, Loveland, Roach, Heavey, Finkbeiner, Winsley, Deccio, Long and Hale.

**Brief History:**

**Committee Activity:** Ways & Means: 3/5/97.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7726)

**Background:** *Motor vehicle excise tax.* The state imposes an excise tax for the privilege of using a motor vehicle in this state. The tax is levied annually on the value of the vehicle at a rate of 2.2 percent.

The revenues generated by the motor vehicle excise tax (MVET) are deposited into various accounts for various purposes. Revenues remaining after all of these distributions are retained in the state general fund and are subject to appropriation for general governmental purposes.

Local transit agencies are authorized to levy a motor vehicle excise tax of up to .725 percent which is credited against the state tax. The revenues generated by the local tax are distributed to the local transit agencies to the extent the agencies match the tax revenues with revenues from other sources.

**Local criminal justice funding.** The county criminal justice account and the municipal criminal justice accounts receive distributions from the MVET. Of the basic MVET rate, 2.3874 percent is deposited into the municipal criminal justice account and 5.9686 percent is deposited into the county criminal justice account. These accounts are available to local governments for general criminal justice purposes. Five percent of the total distributions to these accounts is available for appropriation to the State Patrol for enhancements to the crime laboratory system.

Beginning July 1, 1997, growth in the municipal criminal justice account and county criminal justice account is limited to the implicit price deflator rather than overall growth in MVET revenues.

**Municipal sales and use tax equalization.** The municipal sales and use tax equalization program is funded by the MVET. Of the basic 2 percent rate, 4.75 percent is deposited into

the municipal sales and use tax equalization account. Moneys in the account are distributed to cities imposing the sales and use tax to bring their total revenues up to 70 percent of the statewide average per capita sales tax under the 1st 0.5 percent sales tax. The distribution is doubled for cities imposing the 2nd 0.5 percent sales tax. Any excess moneys are distributed to cities imposing the 2nd 0.5 percent sales tax based on population.

Because new cities are entitled to receive distributions under the equalization program and there have been recent incorporations, there was no excess funds distribution for 1996.

**Local health services funding.** Of the basic 2 percent MVET rate, 2.95 percent is deposited into the county public health account for public health purposes. The MVET distribution to cities for public health was reduced by 2.95 percent to accomplish this. Funds are provided to counties based on a funding benchmark that would ensure that no city contribution was less than the calendar year 1995 level expended for public health purposes. However, the formula did not account for the population in cities that were in the process of incorporating at the time the funding problems with the 2.95 percent shift were being addressed. The populations in these newly incorporated cities are not recognized in the new distribution formula.

**Summary of Substitute Bill:** The limit on the growth in the municipal criminal justice account and county criminal justice account is removed. Growth in the 5 percent allocation available to the State Patrol for enhancements to the crime laboratory system is also made available for enhancements to the State Toxicology Laboratory.

The MVET authorized for local transit agencies is reduced by 10 percent. The moneys that would have been credited against the state tax are deposited into the local revenue equalization account which is created in the state treasury. Moneys in the account are distributed as follows:

- 1) A third to the municipal sales and use tax equalization account to equalize cities to 70 percent of the statewide average per capita sales tax.
- 2) A third to the county public health account for distribution to local health jurisdictions in the following order: (a) To counties in excess of one million in population and to those counties with cities that became newly incorporated as a result of an election during calendar year 1994 or 1995, and (b) the balance to all health jurisdictions on a statewide per capita basis. After June 30, 1999, these moneys are distributed on a statewide per capita basis.
- 3) A third to cities and counties on a per capita basis for local transportation purposes.

**Substitute Bill Compared to Original Bill:** The original bill only removed the growth limit on the criminal justice accounts and allowed use of the growth in the 5 percent allocation available to the State Patrol for enhancements to the State Toxicology Laboratory.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 26, 1997.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

