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HOUSE BILL 2674

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State of Washington

55th Legislature

1998 Regular Session

By Representatives D. Schmidt, Scott, Radcliff, O'Brien, Koster, Skinner, Costa, Cooper, L. Thomas, Dunshee, Wensman, D. Sommers and Conway

Read first time 01/16/98. Referred to Committee on Finance.

1 AN ACT Relating to exempting local governments from the state share  
2 of the sales tax on labor and services related to the construction of  
3 local transportation projects that impact state rights of way; amending  
4 RCW 81.104.170; adding a new section to chapter 82.08 RCW; adding a new  
5 section to chapter 82.14 RCW; adding a new section to chapter 82.32  
6 RCW; creating a new section; and providing an effective date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
9 provide to local government a partial exemption from the state share of  
10 the retail sales tax on construction of streets, roads, highways, and  
11 similar facilities by the local government which impact a state right  
12 of way.

13 The legislature finds that this partial exemption of the state  
14 share of retail sales tax on street, road, highway, and transportation  
15 facility construction is consistent with and complementary to efforts  
16 to exempt state department of transportation projects from these same  
17 taxes. The legislature additionally finds that completion of such  
18 local transportation projects is vital not only for moving people and

1 goods but for community and economic development and overall quality of  
2 life in communities across the state of Washington.

3 The legislature further finds that such a partial exemption would  
4 assist local communities in cutting costs and increasing efficiencies  
5 for needed local transportation projects.

6 The legislature further finds that this partial tax exemption  
7 represents an innovative tool to help fund much-needed transportation  
8 projects that might otherwise be delayed or not undertaken at all.

9 The legislature further finds that throughout the state, and  
10 particularly in areas of the state with strong economies and expanding  
11 populations, the demand and costs of new public infrastructure overall  
12 and transportation infrastructure in particular are increasing and  
13 resources to complete these infrastructure projects are inadequate.  
14 Further, where local economies are struggling, a lack of adequate  
15 funding for infrastructure results in projects being delayed or left  
16 undone and this exacerbates economic distress. A partial exemption in  
17 the state retail sales tax on construction of transportation projects  
18 will not by itself address this growing infrastructure deficit, but  
19 will help provide an important cost-cutting tool for local governments  
20 to undertake and complete these projects.

21 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW  
22 to read as follows:

23 The tax levied by RCW 82.08.020 does not apply to the sale of or  
24 charge made to a municipal corporation or political subdivision of the  
25 state for labor and services rendered in respect to the building,  
26 repairing, or improving of any street, place, road, highway, easement,  
27 right of way, mass public transportation terminal or parking facility,  
28 bridge, tunnel, or trestle which is owned by the state of Washington  
29 and which is used or to be primarily used for foot or vehicular traffic  
30 including mass transportation vehicles of any kind.

31 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW  
32 to read as follows:

33 The exemption in section 2 of this act is for the state portion of  
34 the sales tax and does not extend to the tax imposed in this chapter.

35 **Sec. 4.** RCW 81.104.170 and 1997 c 450 s 5 are each amended to read  
36 as follows:

1 Cities that operate transit systems, county transportation  
2 authorities, metropolitan municipal corporations, public transportation  
3 benefit areas, and regional transit authorities may submit an  
4 authorizing proposition to the voters and if approved by a majority of  
5 persons voting, fix and impose a sales and use tax in accordance with  
6 the terms of this chapter, solely for the purpose of providing high  
7 capacity transportation service.

8 The tax authorized pursuant to this section shall be in addition to  
9 the tax authorized by RCW 82.14.030 and shall be collected from those  
10 persons who are taxable by the state pursuant to chapters 82.08 and  
11 82.12 RCW upon the occurrence of any taxable event within the taxing  
12 district. The maximum rate of such tax shall be approved by the voters  
13 and shall not exceed one percent of the selling price (in the case of  
14 a sales tax) or value of the article used (in the case of a use tax).  
15 The maximum rate of such tax that may be imposed shall not exceed  
16 nine-tenths of one percent in any county that imposes a tax under RCW  
17 82.14.340, or within a regional transit authority if any county within  
18 the authority imposes a tax under RCW 82.14.340. The exemptions in RCW  
19 82.08.820 and 82.12.820 are for the state portion of the sales and use  
20 tax and do not extend to the tax authorized in this section.

21 The exemption in section 2 of this act is for the state portion of  
22 the sales tax and does not extend to the tax imposed in this chapter.

23 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.32 RCW  
24 to read as follows:

25 The department may develop and institute a tax reporting method  
26 whereby the taxpayer uses deductions, credits, or other accounting  
27 techniques, as directed by the department, to allow the department to  
28 administer, and the taxpayer to report, sales tax as affected by  
29 section 2 of this act simply and efficiently. Taxpayers who are  
30 entitled to this exemption and sellers shall keep their records in a  
31 form and manner as directed by the department so that the department  
32 can distinguish between taxable and exempt transactions.

33 NEW SECTION. **Sec. 6.** This act takes effect July 1, 1998.

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