

HOUSE BILL REPORT

HB 2951

As Reported by House Committee On:

Finance

Title: An act relating to tax relief for certain transportation providers for costs associated with the transportation of natural or manufactured gas.

Brief Description: Providing tax relief for certain transportation providers of natural or manufactured gas.

Sponsors: Representatives Conway and Carrell.

Brief History:

Committee Activity:

Finance: 2/11/02 [DPS].

Brief Summary of Substitute Bill

- Provides a credit against the public utility tax owed by a public transportation provider for certain costs incurred relating to the acquisition of natural or manufactured gas to be used as vehicular fuel.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Conway, Morris, Santos and Veloria.

Minority Report: Do not pass. Signed by 5 members: Representatives Cairnes, Ranking Minority Member; Nixon, Orcutt, Roach and Van Luven.

Staff: Mark Matteson (786-7145).

Background:

Transit agencies currently operate alternative fuel vehicle programs. Purchases of fuel for these programs are covered generally by certain tax exemptions.

Public Utility Tax; Gas Distribution Businesses

Public and privately-owned utilities, and certain other businesses, are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. For gas distribution businesses, the applicable tax rate, including permanent surtaxes, is 3.852 percent. For providers of public or contract passenger transportation services, the applicable tax rates are 0.642 or 1.926 percent, depending on whether the provider is within certain proximity of an urban area. Revenues are deposited to the state general fund.

The gross receipts of gas distribution businesses that are subject to the PUT include both amounts derived from the actual sale of gas and from transportation services in conveying gas through a pipeline to the end user.

Fuels used by Public Transportation Providers; Exemptions

Fuels that are used by public transportation providers, or by private nonprofit organizations that provide transportation services to persons with special needs, are generally exempt from taxation on the acquisition of the fuel. Gasoline, ordinarily subject to the motor fuel tax, is exempt if purchased by one of these transit providers; diesel, ordinarily subject to the special fuels tax, is similarly exempt. Both gasoline and special fuels, by virtue of the fuel tax exemptions for these transit providers, would ordinarily then become subject to the retail sales and use tax. In 1980, the Legislature provided a retail sales and use tax exemption for purchases of motor vehicle fuel and special fuel by public transportation providers or by private nonprofit organizations exempt that provide transportation to persons with special needs.

Compressed natural gas (CNG) is also a fuel that is used by some transit agencies for the purposes of public transportation. If CNG is delivered by a marketer to a transit agency, it receives exemptions under the special fuel tax and retail sales and use tax provided for special fuels purchased by certain transit agencies. If the transit agency acquires the gas through a pipeline, however, while no tax is due on the gas itself as acquired, the transit agency effectively bears the cost of the PUT tax assessed on the utility that transports the gas to the transit agency. The cost of the tax is passed down to the transit agency.

Summary of Substitute Bill:

A PUT credit is provided to eligible transportation providers for costs associated with the public utility tax on the transportation of natural or manufactured gas delivered to the transportation provider, if the gas is used by the provider as vehicle fuel. The credit is equal to the pre-tax charges for the gas transportation to the transportation provider, multiplied by the gas distribution PUT rate of 3.852 percent.

An eligible transportation provider is defined as an urban passenger transportation system or carrier that is entitled to a refund or exemption under the special fuels tax. Eligible providers also include private, nonprofit transportation providers certified to provide

transportation services to persons with special needs and which are exempt from the special fuels tax.

Credits are limited to the amount of tax imposed under the PUT and may not be carried over from year to year. No refunds may be given.

Substitute Bill Compared to Original Bill:

A technical correction is made to provide that the credit is available to certain eligible transportation providers.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Pierce County Transit has had to face financial difficulties associated with the passage of Initiative 695. Currently, while some fuels purchased by transit agencies receive exemptions at the retail level, others do not. Transit agencies do pay public utility taxes, but these are for passenger transportation services. When the exemptions for the fuels were originally enacted, it was not envisioned that natural gas would be used as a vehicular fuel. We would like to see the playing field leveled.

This affects only two transit agencies, including Valley Transit. Two-thirds of the Valley Transit fleet run on compressed natural gas (CNG). Although the benefit to us is small, we would appreciate any cost-savings assistance in these times.

Testimony Against: Transit agencies should not be exempt on fuel purchases. The public then has less understanding of the real costs of transit. Effectively, we do not know how much we are actually paying, as they are hiding costs.

Testified: (In support) Cathie Reid, Pierce County Transit; Susie Tracy, Small and Mid-size Transit Alliance; and Peter Thein, Washington State Transit Association.

(Opposed) Paul Locke, citizen.