

HOUSE BILL REPORT

HB 2146

As Passed House:

March 9, 2007

Title: An act relating to sales and use taxes on toll projects.

Brief Description: Providing for the transfer of sales and use taxes on toll projects to reduce the amount of the project.

Sponsors: By Representatives Seaquist, Rolfes, Lantz, Appleton, Simpson and Kelley.

Brief History:

Committee Activity:

Finance: 3/5/07 [DP].

Floor Activity:

Passed House: 3/9/07, 96-1.

Brief Summary of Bill

- Changes the sales and use tax deferral for the Tacoma Narrows Bridge project to an exemption.
- Requires sales and use taxes on toll-funded road and bridge projects to be deposited into the project's toll account.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

Staff: Jeff Mitchell (786-7139).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services, including state construction projects. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

A new suspension bridge, more than 80 percent complete, is being built parallel to, and south of, the Tacoma Narrows Bridge built in 1950. The new bridge on State Route 16 is scheduled to open this summer. In summer 2008, when the new and existing bridges open in their final form, the 1950 span will take drivers westbound on two general purpose lanes and one carpool lane. The new bridge will carry eastbound traffic on two general purpose lanes, one carpool lane and a fourth drop lane.

The Tacoma Narrows Bridge toll project currently has a sales and use tax deferral. The taxes are deferred for five years after tolling is commenced which is currently estimated to begin in 2007. In 2012, the tax would become due and is payable in 10 annual installments.

Summary of Bill:

State sales and use taxes imposed on the Tacoma Narrows Bridge project for which a deferral has been granted do not need to be repaid. Local sales and use taxes remain deferred until 2012.

States sales and use taxes collected on road and bridge projects where 80 percent or more of the cost is paid or recovered through tolls are transferred to the tolling account of the project to reduce the cost of the project.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Every single person in the 26th district will be paying the toll. Taxes are paid on the construction of the bridge. Therefore, toll-payers will be paying for the construction of the project as well as the tax on the project. Toll-payers are actually paying tax twice. It would be more equitable to have the taxes on the construction go towards paying the toll.

(Opposed) None.

Persons Testifying: Representative Seaquist, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.