
Finance Committee

HB 3051

Brief Description: Concerning sales and use tax on transportation projects.

Sponsors: Representatives Seaquist, Lantz, Clibborn, Hunter, Lias, Rolfes and Green.

Brief Summary of Bill

- Requires state sales and use tax revenue on the construction of certain transportation projects to be transferred back to the projects to reduce their cost.
- Changes the sales and use tax deferral for the Tacoma Narrows Bridge project to a permanent exemption for the state portion.

Hearing Date: 2/1/08

Staff: Jeff Mitchell (786-7139).

Background:

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.

After five years in design and construction, the new Tacoma Narrows bridge opened to traffic on July 16, 2007. It was built parallel to, and south of, the 1950 Narrows Bridge, and carries four 11-foot-wide lanes of eastbound traffic toward Tacoma. The left lane is a high - occupancy - vehicle (HOV) lane, the two center lanes are general purpose lanes open to all traffic, and the right lane is an "add/drop" lane that extends across the bridge to the Jackson Avenue eastbound exit.

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The Tacoma Narrows Bridge toll project currently has a sales and use tax deferral for all state and local sales and use taxes. The taxes are deferred for five years from the date tolling commenced, which occurred on July 16, 2007. In 2012, repayment of all state and local deferred taxes will begin. Taxes are payable in 10 annual installments.

A city, town, or county may establish a transportation benefit district for the purpose of acquiring, constructing, and funding a transportation improvement within the district. Transportation improvement is specifically defined to mean a project contained in the transportation plan of the state or a regional transportation planning organization. With voter approval, a district may impose a sales and use tax, a one year excess property tax levy, tolls, and other fees to fund the transportation improvement.

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.

When 50 percent or more of the cost of a transportation project, or more than \$1 billion, will be paid or recovered through tolls, state sales and use taxes on the initial construction of the project must be transferred to the tolling account of the project. These revenue transfers must be used to reduce the overall cost of the project.

When 50 percent or more of the cost of the transportation project, or more than \$1 billion, will be provided through taxes, fees, charges or tolls levied by a transportation benefit district, state sales and use taxes on the initial construction of the project must be transferred to the district. These revenue transfers must be used to reduce the overall cost of the project.

A revenue transfer to a tolling account or transportation benefit district will not lower the state expenditure limit.

Appropriation: None.

Fiscal Note: Requested on January 21, 2008.

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