SENATE BILL REPORT
SB 5364

As of April 16, 2009

Title: An act relating to modifying the existing commute trip reduction tax credit.

Brief Description: Modifying the existing commute trip reduction tax credit.

Sponsors: Senators Marr, Delvin and Haugen; by request of Department of Transportation.

Brief History:
Committee Activity: Transportation: 2/19/09.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Wendy Malkin (786-7434)

Background: In 1991 the Commute Trip Reduction (CTR) law was enacted as part of the Washington Clean Air Act. The goals of the CTR program are to reduce air pollution, traffic congestion, and fuel consumption through employer-based programs that decrease the number of employees traveling by single-occupant vehicles to the workplace.

Each county containing an urban growth area (UGA), and each city within an UGA with a state highway segment exceeding the 100 person hours-of-delay threshold, as well as those counties and cities located in any contiguous UGA, are required to adopt a CTR plan and ordinance for major employers in the affected UGA. Person hours-of-delay mean the daily person hours-of-delay per mile in the peak period of 6 a.m. to 9 a.m. Jurisdictions located within a UGA with a population greater than 70,000 that adopted a CTR ordinance before 2000 must also participate in the program. Counties, cities, and towns that do not meet the criteria may voluntarily participate in the CTR program.

Each major employer in a jurisdiction that adopts a CTR plan must develop and implement a CTR program. Major employer means a private or public employer that employees 100 or more full-time employees at a single worksite who begin their regular workday between 6 a.m. and 9 a.m. Major employer programs must be approved by the jurisdiction. Programs must include a minimum of four specified components, and an employer can include many optional components, including financial incentives for employee participation. Financial incentives may include subsidies for transit passes, carpools, or vanpools.

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.

Businesses subject to the business and occupation tax or the public utility tax can receive a tax credit for providing CTR financial incentives to their own or other employees. The total amount of tax credits given to all businesses cannot exceed $2.75 million in any fiscal year. Businesses may elect to defer tax credits for a period of not more than three years after the year in which the credits accrue. Businesses can be approved to receive a tax credit of up to $200,000 in a fiscal year, and there is no limit on the number of years businesses may apply for the tax credit. About 250 businesses (taxpayers) use the CTR tax credit.

Funds are transferred from the multimodal account to reimburse the General Fund for the tax credits awarded. The CTR tax credit law expires July 1, 2013.

Summary of Bill: Changes are made to the CTR tax credit program. The cap for the total amount of tax credits given to all businesses is reduced to $1.25 million in any fiscal year. The amount each business can receive in tax credits is reduced to $100,000 in a fiscal year. Businesses can no longer defer tax credits; businesses must claim the credit in the year that the credit was approved. However, unused credits approved before July 1, 2009, may be carried forward and used until July 1, 2013. No business can be approved for the CTR tax credit more than twice between January 1, 2010, and January 31, 2013.

The Department of Revenue estimates that state revenues in the multimodal account will increase by approximately $2.4 million in the 2009-2011 biennium and $2.9 million in the 2011-2013 biennium.

Appropriation: None.

Fiscal Note: Available.
[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: July 1, 2009.

Staff Summary of Public Testimony: PRO: The CTR program has been in place since the early 1990s. The goal is to encourage CTR programs in smaller worksites. However, over the years we have found that a handful of large employers receive the majority of the tax credits. This bill is designed to address this by reducing the maximum amount each employer can receive. A boost to the funds in the multimodal account could go to supporting alternatives to drive-alone transportation. CTR is a cost effective tool to preserve system capacity.

CON: This bill reduces the total amount of the credit available to employers in a fiscal year. The CTR tax credits have spurred private innovation around software for employers to manage their programs. Any reduction in the total amount of the credit could discourage this innovation.

Persons Testifying: PRO: Senator Marr, prime sponsor; Brian Lagerberg, Washington State Department of Transportation; Andrew Austin, Transportation Choices Coalition.

CON: Charlie Crissman, Goose Networks, Inc.