BILL ANALYSIS

Ways & Means Committee

HB 2083

Brief Description: Concerning funding for the construction of a ferry boat vessel with a capacity of at least one hundred forty-four cars.

Sponsors: Representatives Rolfes and Moscoso.

Brief Summary of Bill

- Requires annual transfers of state sales and use taxes collected on ferry fuel to the Transportation 2003 Account (Nickel Account) to fund the construction of a ferry boat.

Hearing Date: 4/15/11

Staff: Jeffrey 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, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products, and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

Vehicle fuel taxes are imposed on each gallon of fuel that is imported, produced, or delivered in the state. Generally, the tax is imposed when vehicle fuel is removed from a refinery or terminal rack. A rack is the platform or bay at which vehicle fuel from a refinery or terminal is delivered into trucks, trailers, or rail cars. Vehicle fuel includes gasoline and other inflammable gas or liquids that are used to propel motor vehicles or boats as well as diesel and propane. The tax rate

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is 37.5 cents per gallon. (The term "vehicle fuel tax" actually applies to two distinct, but similar taxes–the motor vehicle fuel tax and the special fuel tax. As a general matter, motor vehicle fuel tax applies to gasoline and special fuel tax applies to diesel.)

Unless specifically exempted, all vehicle fuels not subject to vehicle fuel tax are subject to retail sales and use tax. Under current law, fuel purchased for ferry use is exempt from the fuel tax and is, therefore, subject to the sales and use tax. (There is a sales and use tax exemption for ferry fuel purchased by a public transportation benefit area, county, or a county ferry district for use in passenger-only ferry vessels.)

Washington State Ferries (WSF), a division of the state's Department of Transportation, is a ferry system with the primary responsibilities of safely facilitating the movement of people, goods and services. In 2009 WSF had 20 passenger-auto ferry vessels, 20 terminals in operation, and completed over 147,000 sailings along nine separate routes. There were 22.4 million passengers and 9.9 million vehicles carried in 2009. The largest vessels in this fleet carry up to 2,500 passengers and 202 vehicles.

During the 1990s, fuel costs were typically close to $10 million per year and accounted for approximately 10 percent of WSF operating costs. Since 2000, fuel costs have grown dramatically. Costs have grown from $20 million per year to more than $40 million per year since 2007. Fuel now accounts for 20 percent or more of WSF operating costs.

Summary of Bill:

On an annual basis, the State Treasurer is required to transfer from the State General Fund into the Transportation 2003 Account (Nickel Account), the greater of $5.2 million or the amount in sales and use taxes paid by the state ferry system for marine purposes. The transferred amounts are pledged to the payment of bonds issued for the purpose of constructing a ferry boat vessel with a carrying capacity of at least 144 cars. The transfers are discontinued when the bonds are retired.

Appropriation: The sum of $75 million is appropriated from the Transportation 2003 Account (Nickel Account) to the Department of Transportation for the biennium ending June 30, 2013.

Fiscal Note: Requested on April 13, 2011.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2011.