SENATE BILL REPORT
SB 5920

As of April 25, 2013

Title: An act relating to transportation revenue.

Brief Description: Concerning transportation revenue.

Sponsors: Senators Eide and Conway.

Brief History:
Committee Activity: Transportation: 4/23/13.

SENATE COMMITTEE ON TRANSPORTATION

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Background: Licensing and Fees. Generally, all motor vehicles used on public highways must be registered with the Department of Licensing (DOL) annually. Most vehicles, including passenger cars, are subject to a $30 license tab fee; a weight fee of $10, $20, or $30 based on the weight of the vehicle; and other fees totaling $3.75.

In lieu of passenger vehicle fees, trucks, buses, and for-hire vehicles are subject to a license fee by weight. The weight fee ranges from $38 for a 4000 pound vehicle to $3,400 for a 105,500 pound vehicle.

Vehicles that are powered by natural gas or propane pay an annual license fee in lieu of a fuel tax. The annual license fee is calculated using a formula that includes, among other factors, a fee based on weight and the current rate of fuel taxes. The current annual license fee is $145.63.

18th Amendment. The 18th Amendment to the Washington State Constitution requires that the state's motor vehicle fuel taxes, currently $0.375 per gallon; vehicle licensing fees; and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Monies in that fund may only be spent for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries. Other transportation funding is not restricted by the 18th Amendment but is restricted in statute for transportation purposes, which includes purposes that are deemed non-highway purposes, such as public transportation.

Transfers for Non-highway Purposes. Transfers are made from the Motor Vehicle Fund to the ORV and Non-highway Vehicle Account, the Marine Fuel Tax Refund Account, and the Snowmobile Account for motor vehicle fuel taxes paid by non-highway users. Each of these transfers is made based on fuel taxes of $0.23 cents per gallon.

Transportation Benefit District (TBD). A TBD is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the TBD. A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. If a TBD includes more than one jurisdiction, the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions. Port districts and transit districts may participate in the establishment of a TBD but may not initiate TBD formation.

A TBD has independent taxing authority to implement the following revenue measures, all of which are subject to voter approval:
- a local sales and use tax of up to 0.2 percent;
- a local annual vehicle fee of up to $100 on vehicle license renewals, $20 of which may be imposed without voter approval;
- excess property taxes, for a period of up to one year; and
- tolls, subject to legislative authorization and approval by the Washington State Transportation Commission if imposed on state routes.

A TBD may impose the following revenue measures without voter approval through a majority vote of the governing body:
- transportation impact fees on commercial and industrial development; and
- except for passenger-only ferry improvements, up to $20 in local annual vehicle fees if the TBD includes all the territory within the boundaries of the jurisdiction(s) establishing the TBD. When imposing this fee, if the TBD is countywide, the revenues must be distributed to each city within the county by interlocal agreement.

Motor Vehicle Excise Tax (MVET). An MVET is a tax paid on the value of a motor vehicle. For the purpose of determining any locally imposed MVET, the value of a vehicle other than a truck or trailer is 85 percent of the manufacturer's base suggested retail price of the vehicle when first offered for sale as a new vehicle, excluding any optional equipment, applicable federal excise taxes, state and local sales or use taxes, transportation or shipping costs, or preparatory or delivery costs, multiplied by the applicable percentage listed in the depreciation schedules. For the purpose of determining any locally imposed MVET, the value of a truck or trailer is the latest purchase price of the vehicle, excluding applicable federal excise taxes, state and local sales or use taxes, transportation or shipping costs, or preparatory or delivery costs, multiplied by the applicable percentage listed in the depreciation schedules based on the year of service of the vehicle since its last sale. The latest purchase year is considered the first year of service.

Public Transportation Benefit Area. A public transportation benefit area (PTBA) is a type of municipal corporation created to provide regional public transportation service to all or a portion of a county or multiple counties. A PTBA may construct, own, and operate a regional public transportation system within its jurisdictional boundaries. A PTBA may collect fares for service and, with approval of the majority of the voters within the area, impose up to a 0.9 percent sales and use tax within the area. A city or town may form a municipal public transportation system for the purposes of providing public transportation services.

Summary of Bill: State Taxes and Fees. The motor vehicle fuel tax and the special fuel tax are each increased by $0.10 per gallon as follows:
- $0.05 per gallon effective August 1, 2013,
- $0.02 per gallon effective July 1, 2014,
- $0.02 per gallon effective July 1, 2015, and
- $0.01 per gallon effective July 1, 2016.

The increased fuel tax revenue is distributed in the following manner:
- 5 percent to the Puget Sound Ferry Operations Account;
- 7.5 percent to the Puget Sound Capital Construction Account;
- 5 percent to the cities through the established distribution process;
- 5 percent to the counties through the established distribution process; and
- 77.5 percent to the newly created Connecting Washington Account.

The calculation of transfers made from the Motor Vehicle Fund to the ORV and Non-highway Vehicle Account, the Marine Fuel Tax Refund Account, and the Snowmobile Account for motor vehicle fuel taxes paid by non-highway users is increased with each increase in motor fuel taxes to total $0.33 cents per gallon.

Passenger weight fees are increased by $15 for vehicles that weigh up to 4000 pounds, $25 for vehicles between 4000 and 6000 pounds, and $35 for vehicles between 6000 and 12,000 pounds. Proceeds are deposited into the Multimodal Transportation Account.

A freight project fee equal to 15 percent of the gross weight fee is established on vehicles subject to a gross weight and that have a gross weight of more than 10,000 pounds. Proceeds from the fee are deposited in the Connecting Washington Account and used for major freight corridors.

DOL and their agents must collect a $5 service fee on vehicle registration renewals and $12 on certificate of title transactions. Proceeds from the service fee collected on registration renewal transactions are deposited into the Connecting Washington Account. Proceeds of up to $7 million per fiscal year of the service fee collected on title transactions are deposited into the Capital Vessel Replacement Account. Any proceeds in excess of $7 million are deposited into the Connecting Washington Account.

The distribution of fee increases enacted by the 2012 Legislature is established in statute for ten years.

Local Revenue Options. A TBD is allowed to impose a local annual vehicle fee of up to $40 upon a majority vote of the governing body.

A county with a population of 1 million or more may impose an MVET with the approval of the voters. The MVET may be up to 1.5 percent of the value of the vehicle and may be imposed on all the vehicles within the county, except for trucks with an unladen weight of 6000 pounds or more, farm vehicles, and commercial trailers. Of the net funds collected from the MVET, 60 percent must be used for the operation, maintenance, and capital needs of public transportation systems. Of the net funds from the MVET, 40 percent must be used for the operations and maintenance of local roads. These funds must be distributed on a pro rata basis to the county and incorporated cities and towns within the county based on the population of the unincorporated areas of the county and the population of cities and towns as a percentage of the total population of the county. Based on the current population, the MVET under this bill would only be eligible to King County.

A PTBA in a county with a population of 700,000 or more, that also contains a city with a population of 75,000 or more that operates a municipal transit system, may impose an additional sales and use tax of up to 0.3 percent with approval of the voters within the area. Based on the current population and existing public transportation governing structures, the bill would only apply to Community Transit in Snohomish County.

All transit agencies, except a Regional Transit Authority, may establish an enhanced public transportation zone (Zone) within the transit agencies' boundaries. A transit agency may put to the voters within a Zone a sales and use tax increase for the purpose of providing enhanced transit service solely within the Zone, and funds collected from the tax may not supplant existing revenue expended in the Zone. A sales and use tax imposed on a Zone, when combined with a transit agency's existing sales and use taxing authority, may not exceed the existing limit of 0.9 percent. When establishing the boundaries of a Zone, the establishing agency must consult with the Department of Revenue on sales tax collection methods, and boundaries must follow election precinct lines if possible. A Zone may cover only a portion of an area within a transit agency's boundaries, including portions of a city or town, and may not include more than 49 percent of the population of the transit agency's area. Also, the Zone must include 55 percent of the low-income or minority populations, designated as such for the purposes of Title VI of the federal Civil Rights Act, within the transit agency's boundaries. The establishing transit agency must adopt an ordinance that finds that the Zone warrants consistent and sustainable transportation service levels of passenger capacity, speed, and service frequency to serve persons within the Zone that would otherwise be substantially disadvantaged if the Zone were not created. A baseline level of service must be established prior to creation of the Zone, and service within the Zone must increase in proportion to the additional revenue collected. A sales and use tax imposed on a Zone expires after five years, unless reauthorized by the voters of the Zone.

Appropriation: None.

Fiscal Note: Requested on April 22, 2013.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.