

HOUSE BILL REPORT

HB 1822

As Reported by House Committee On: Transportation

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

Brief Description: Extending and modifying the commute trip reduction tax credit.

Sponsors: Representatives Farrell, Orcutt, Fey, Fitzgibbon and Moscoso.

Brief History:

Committee Activity:

Transportation: 2/9/15, 2/25/15 [DPS].

Brief Summary of Substitute Bill

- Extends the Commute Trip Reduction (CTR) Tax Credit Program from June 30, 2015, to June 30, 2024.
- Increases the total amount of the CTR tax credits that can be provided under the program to \$5 million per fiscal year.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Moscoso, Vice Chair; Orcutt, Ranking Minority Member; Bergquist, Gregerson, Harmsworth, Hayes, Kochmar, McBride, Moeller, Morris, Ortiz-Self, Pike, Riccelli, Rodne, Sells, Takko, Tarleton, Wilson, Young and Zeiger.

Minority Report: Do not pass. Signed by 1 member: Representative Shea.

Minority Report: Without recommendation. Signed by 1 member: Representative Hargrove, Assistant Ranking Minority Member.

Staff: David Munnecke (786-7315).

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.

Commuter Trip Reduction.

Commuter Trip Reduction (CTR) is an employer-based program designed to promote the use of ride-sharing, public transportation, and non-motorized commuting in order to reduce air pollution, energy use, and traffic congestion. A CTR program may include providing information on alternative commuting options, discounting parking rates for carpoolers, providing a bus pass, and permitting flexible work schedules. Commuter Trip Reduction legislation passed in 2006 requires public and private employers considered to be major employers to have a CTR program with defined CTR goals. Major employers are considered to be those with more than 100 employees at a single worksite located in certain urban growth areas, who begin their workday between 6:00 a.m. and 9:00 a.m.

The Department of Transportation provides technical assistance to employers and jurisdictions to develop the required CTR programs, staffs the CTR board that selects recipients of the CTR grants, and collects and maintains the CTR data. The Department of Revenue (DOR) provides a tax credit to qualifying businesses that request a credit and demonstrate they provide CTR incentives to their employees.

Commuter Trip Reduction Tax Credit.

The DOR offers a business and occupation tax or a public utility tax credit to businesses or property owners funding CTR incentives. The credit is equal to 50 percent of the incentive payments paid by the employer or property manager, but may not exceed \$60 per employee per year. No applicant may receive a tax credit totaling more than \$200,000 in one year. The funding available for this tax credit was historically capped at \$2.75 million. If requests for tax credits exceeded the \$2.75 million, then all requests would be pro-rated down. Credits that have not been pro-rated may be carried forward to subsequent years. The CTR law requires the General Fund to be reimbursed by the Multimodal Transportation Account for the amount of any tax credits issued.

The CTR board is required to determine the effectiveness of the tax credit and to report this information, along with the amounts claimed and recommendations for the future of the program, to various legislative committees.

The statute authorizing the CTR tax credits was originally scheduled to expire in 2013, but received one-year extensions in the 2013 and 2014 transportation budget bills that provided \$1.5 million per fiscal year for the CTR tax credits. The CTR tax credit is scheduled to expire at the end of the 2013-15 biennium, on June 30, 2015.

Certain tax-related legislation, including tax credits, are required to include a Tax Preference Statement. This statement must identify the purpose of the tax law change and provide metrics for the legislative auditor to evaluate the effectiveness of the tax change.

Summary of Substitute Bill:

The CTR Tax Credit Program is extended from June 30, 2015, to June 30, 2024. The State Treasurer is authorized to continue to reimburse the General Fund for the CTR tax credits through January 1, 2025.

The cap on the total amount of CTR tax credits that may be issued is set at \$5 million per fiscal year. The tax credit application process requires electronic filing and allows the acceptance of late filings under certain circumstances. The carrying forward of tax credits to subsequent years is phased out.

A tax preference statement is included and states that the CTR tax credit is intended to support the public policy objective of reducing traffic congestion, automobile air pollution, and energy use. If a review of the CTR tax credit finds that more people in Washington are using commute alternatives, the Legislature intends for the legislative auditor to recommend renewing the CTR Tax Credit Program.

Substitute Bill Compared to Original Bill:

The substitute bill contains an emergency clause with an effective date of June 30, 2015.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on June 30, 2015.

Staff Summary of Public Testimony:

(In support) This is a longstanding and successful program. It effects more than 1,000 employers and more than 600,000 employees. This public-private partnership has operated for years in order to improve the congestion on the roads.

Many businesses take part in this program, and the applications regularly outstrip the funding. The program has been kept alive in the budget, but it is an important program that should be extended.

Many Pierce County businesses already use the credit, and hopefully the increase in funding will lead to more.

This program is an important tool for addressing congestion and involving businesses in the process. It also helps with employee retention.

Funding this program frees up space in the transportation system, which can then be used by businesses. This in turn will lead to less time wasted.

The maximum credit amount should be reduced to \$100,000, so that the funding is available for more businesses.

(Opposed) None.

Persons Testifying: Representative Farrell, prime sponsor; Mike Ennis and Mike Transue, Association of Washington Business and Pierce County Chamber; and Kristina Walker, Tacoma Downtown on the Go.

Persons Signed In To Testify But Not Testifying: None.