
Finance Committee

HB 1966

Brief Description: Exempting transit agencies that manufacture liquid natural gas or compressed natural gas for the purposes of providing public transportation from the definition of manufacturing in respect to business and occupation tax.

Sponsors: Representatives Fey, Zeiger, Farrell, Fitzgibbon, Nealey, Walsh and Moscoso.

Brief Summary of Bill

- Exempts the production of compressed natural gas or liquefied natural gas from business and occupation tax if the gas was manufactured for vehicles operated by a public transportation system.

Hearing Date: 2/10/15

Staff: Dominique Meyers (786-7150).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. A B&O tax is imposed on manufacturing businesses equal to 0.484 percent of the gross income of the business. A manufacturer is one who undertakes activities of a commercial or industrial nature applying labor or skill to materials so that a different or useful substance or article of personal property is produced for sale or use.

Public Transportation System.

Several types of transit agencies have been created under different authorizing laws depending on the desired service area to be covered, governance structure, and taxing authority. There are currently 31 local public transit agencies in Washington: 20 are Public Transportation Benefit

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Areas; five are City Authorities; two are County Transportation Authorities; two are Unincorporated Transportation Benefit Areas; one is a county-assumed Metropolitan Municipal Corporation, King County Metro; and one, Sound Transit, is a Regional Transit Authority. In general, transit agencies are authorized to, and do, impose a sales and use tax of up to 0.9 percent with voter approval, for the purpose of funding public transportation services. A proposal for implementing a sales and use tax increase must be put before all the voters within the boundary of a transit agency.

Summary of Bill:

The production of compressed natural gas (CNG) or liquefied natural gas (LNG) is exempt from B&O tax if the CNG or LNG was manufactured as fuel for vehicles operated by a public transportation benefit area or other public transportation system.

Appropriation: None.

Fiscal Note: Requested on February 9, 2015.

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