

SENATE BILL REPORT

SHB 1738

As Reported by Senate Committee On:
Transportation, June 24, 2015

Title: An act relating to marine, off-road recreational vehicle, and snowmobile fuel tax refunds based on actual fuel taxes paid.

Brief Description: Concerning marine, off-road recreational vehicle, and snowmobile fuel tax refunds based on actual fuel taxes paid.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Orcutt, Clibborn, Hayes, Fey, Hargrove, Farrell, Zeiger, Moscoso, Muri, Condotta, Buys and Harmsworth).

Brief History: Passed House: 3/09/15, 98-0; 6/11/15, 89-0.

Committee Activity: Transportation: 3/16/15, 4/01/15, 4/07/15; 6/24/15 [DP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass.

Signed by Senators King, Chair; Benton, Vice Chair; Fain, Vice Chair; Hobbs, Ranking Minority Member; Liias, Assistant Ranking Minority Member; Cleveland, Ericksen, Habib, Jayapal, Litzow, Miloscia, Pedersen, Rivers and Sheldon.

Staff: Amanda Cecil (786-7429)

Background: Article II, section 40 of the Washington State Constitution requires that the state's motor vehicle fuel taxes, currently \$0.375 per gallon, be deposited into the Motor Vehicle Fund. Monies in that fund may only be used for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries. Refunds that are authorized in law for taxes paid on motor vehicle fuels are also an authorized use of Motor Vehicle Fund proceeds.

In 1964 Initiative No. 215 was approved by the voters, which directed the state to transfer the estimated motor vehicle fuel taxes paid on marine fuel to the Marine Fuel Tax Refund Account and to use any portion of those funds that were not used for individual taxpayer refunds to be used to benefit watercraft recreation. The 1971 Legislature enacted similar provisions related to motor vehicle fuel taxes paid on fuel for snowmobiles and other off-road and non-highway vehicles. Motor vehicle fuel taxes paid for use on snowmobiles are

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transferred to the Snowmobile Account and used for snowmobile recreational areas. Motor vehicle fuel taxes paid for use on other non-highway vehicles are transferred to the ORV and Nonhighway Vehicle Account and the Nonhighway and Off-Road Vehicle Activities Program Account and used for non-highway roads and recreation facilities and education.

Prior-to-1990 transfers to the non-highway accounts were based on calculations that used the full motor vehicle fuel tax rate. In 1990 the motor vehicle fuel tax rate was increased by \$0.04 per gallon and the rate that the refunds were based on was set at the rate prior to the increase. Since that time the motor vehicle fuel tax rate and refunds have been adjusted as shown in the table below. Currently transfers to the non-highway accounts are based on a calculation that uses a fuel tax rate of \$0.23 per gallon.

Date (July 1)	Motor Vehicle Fuel Tax Rate (per gallon)	Refund Rate (per gallon)	Difference
1964–1990	\$0.09–\$0.18	\$0.09–\$0.18	\$0
1990	\$0.22	\$0.18	\$0.04
1991	\$0.23	\$0.18	\$0.05
2003	\$0.28	\$0.19	\$0.09
2005	\$0.31	\$0.20	\$0.11
2006	\$0.34	\$0.20	\$0.14
2007	\$0.36	\$0.21	\$0.15
2008	\$0.375	\$0.21	\$0.165
2009	\$0.375	\$0.22	\$0.155
2011	\$0.375	\$0.23	\$0.145

Summary of Bill: Beginning July 1, 2031, the rate used to calculate transfers from the Motor Vehicle Fund to the ORV and Nonhighway Vehicle Account, the Nonhighway and Off-Road Vehicle Activities Program Account, the Marine Fuel Tax Refund Account, and the Snowmobile Account for motor vehicle fuel taxes paid by non-highway users is changed from \$0.23 per gallon to the rate that is in effect at the time that the fuel is purchased.

Legislative findings are stated and an intent is declared.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: In the 2003 and 2005 transportation funding packages the fuel tax increases were bonded and non-highway refunds were not increased. In 2031 the debt service will start to decline and there will be sufficient revenue to cover transfers at the full rate of the tax. It sets the rate equal to the rate that is in effect at the time

of purchase so this will keep up with future increases. Once the higher level of transfers is on the books it will be accounted for in budgets and forecasts. There are more than \$300 million in unmet parks needs over the next ten years and this will help fund those. This would not apply to the nickel since that sunsets when the debt is paid off.

These vehicles do not impact the highways and they are paying tax on highways for off-road use. This will allow off-road users to get a full refund to benefit their purposes. This sets the date at a time when the debt on the previous tax packages starts to be paid off. This does not go back and recapture the previous 26 years of refunds; it is prospective. It also would capture any future increases in gas tax rates. The revenue package gas tax increases capture this and this bill goes back and corrects an error of omission. This is an investment in the future for recreation for users that rely on these trails.

Persons Testifying: PRO: Representative Orcutt, prime sponsor; Doug Levy, Recreational Boating Assn. of WA, WRPA; Terry Kohl, Backcountry Horsemen of WA, WA State Snowmobile Assn.; Peter Schrapen, NW Marine Trade Assn.; Brock Milliern, Dept. of Natural Resources.

Persons Signed in to Testify But Not Testifying: No one.