

# SENATE BILL REPORT

## SB 5323

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As Reported by Senate Committee On:  
Transportation, February 25, 2015

**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:** Senators King, Hobbs, Fain, Liias, Angel and Conway.

**Brief History:**

**Committee Activity:** Transportation: 1/28/15, 2/25/15 [DPS].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** That Substitute Senate Bill No. 5323 be substituted therefor, and the substitute bill 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:** Hayley Gamble (786-7452)

**Background:** Commuter Trip Reduction. Initial Commuter Trip Reduction (CTR) legislation was passed in 1991 and incorporated into the Clean Air Act. CTR is an employer-based program designed to reduce traffic congestion, air pollution, and the use of petroleum fuel consumption. Examples of a CTR program include providing information on alternative commuting options, discounting parking rates for carpoolers, providing a bus pass, and permitting flexible work schedules. CTR 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 required CTR programs, staffs the CTR board that selects recipients of CTR grants, and collects and maintains 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.

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*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 Tax Credit Details. Developed as part of the 2003 transportation funding package, 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. CTR law requires the general fund to be reimbursed by the multimodal transportation account for the amount of any tax credits issued.

The CTR Task Force, now known as 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 CTR tax credits was due 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. Current law providing the CTR tax credit expires at the end of the 2013-15 biennium on June 30, 2015.

Legislation passed in 2013 – ESSB 5882, now RCW 82.32.808 – requires certain tax-related legislation, including tax credits, 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 Bill:** The bill as referred to committee not considered.

**Summary of Bill (Recommended Substitute):** The CTR tax credit program is extended from June 30, 2015, to June 30, 2024. Language allowing the Treasurer to continue to reimburse the general fund for CTR tax credits is extended through January 1, 2025.

The cap on the total amount of CTR tax credits that may be issued is set at \$1.5 million per fiscal year. The tax credit application process is revised to require electronic filing and to allow the acceptance of late filings under certain circumstances. Expired language relating to deferring tax credits is removed, and carrying forward of tax credits to subsequent years is phased out. The maximum amount one entity can receive as a CTR tax credit in one fiscal year is \$100,000.

A tax preference statement is included and states 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.

**EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (Recommended Substitute):** The cap on the total amount of CTR tax credits that may be issued is set at \$1.5 million, a reduction from \$5 million in the original bill. The maximum

amount one entity can receive as a CTR tax credit in one fiscal year is reduced from \$200,000 to \$100,000. An emergency clause is added to prevent the program from lapsing.

**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 on Proposed Substitute as Heard in Committee:**

PRO: This provides a permanent fix for the tax credit program. Businesses have required CTR-related costs that are offset by this credit. Tax credits are an important tool in managing traffic congestion. Technical changes help make the program easier to administer. The credit has proven to be an effective tool. The state and businesses both have an interest in how people get to work. A good CTR program is also a good employee recruitment and retention tool. Investments in CTR are good for the economy and the roadway.

**Persons Testifying:** PRO: Michael Ennis, Assn. of WA Business; Michael Transue, Tacoma Pierce County Chamber of Commerce; Brian Lagerberg, WA State Dept. of Transportation; Ted Horobiowski, CTR Board; Kristina Walker, Tacoma Downtown On the Go; Michael Transue, Tacoma Chamber.