

SENATE BILL REPORT

ESSB 5990

As Passed Senate, February 27, 2015

Title: An act relating to transferring certain state sales and use taxes collected on transportation projects to the connecting Washington account.

Brief Description: Transferring certain state sales and use taxes collected on transportation projects to the connecting Washington account.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators King, Fain, Litzow, Braun, Schoesler, Parlette, Dammeier, Warnick, Sheldon, Hewitt, Becker, Brown and Bailey).

Brief History:

Committee Activity: Transportation: 2/17/15, 2/19/15 [DP-WM, DNP].

Ways & Means: 2/24/15 [DPS, DNP].

Passed Senate: 2/27/15, 26-23.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators King, Chair; Benton, Vice Chair; Fain, Vice Chair, Budget; Baumgartner, Ericksen, Litzow, Miloscia, Rivers and Sheldon.

Minority Report: Do not pass.

Signed by Senators Hobbs, Ranking Minority Member; Liias, Assistant Ranking Minority Member; Cleveland, Habib, Jayapal and Pedersen.

Staff: Amanda Cecil (786-7429)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5990 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Bailey, Becker, Brown, Hewitt, O'Ban, Padden, Parlette, Schoesler and Warnick.

Minority Report: Do not pass.

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.

Signed by Senators Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Billig, Conway, Fraser, Hasegawa, Rolfes, Hatfield and Kohl-Welles.

Staff: Kellee Keegan (786-7429)

Background: The state, most cities, and all counties levy retail sales and use taxes upon most articles of tangible personal property, digital products, and some services. The state sales and use tax rate is 6.5 percent, which is deposited into the state general fund. There is an additional sales and use tax of 0.3 percent on the sale of motor vehicles that is deposited into the Multimodal Transportation Account and used for transportation purposes. Local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location. The state pays sales tax to contractors on transportation projects for both labor and materials.

Summary of Engrossed Substitute Bill: Highway improvement and preservation projects that are administered by the Washington State Department of Transportation (WSDOT) are exempt from sales and use tax. The exemption applies to projects that are identified as Connecting Washington projects until June 30, 2019, and to all highway improvement and preservation projects that are administered by WSDOT thereafter.

Additionally an amount equal to the amount of state sales and use tax paid with funds appropriated in an omnibus transportation appropriations act for transportation projects that are not exempt from sales and use tax must be transferred from the state general fund to the Connecting Washington Account. This transfer applies to funds for projects from the Connecting Washington Account until June 30, 2019, and to all funds appropriated in an omnibus transportation appropriations act for projects that are subject to sale and use tax thereafter.

Each quarter WSDOT must submit a report to the Department of Revenue (DOR) notifying them of the state sales tax paid on the applicable projects from the previous quarter. DOR must notify the Treasurer of the amount of the transfer by the last working day of each calendar quarter.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony on Original Bill (Transportation): PRO: Using sales tax to build projects will generate economic activity and create jobs. Using taxpayer dollars responsibly and for the purposes they were intended for engenders public trust. That will be a great extender for getting things done in the state.

CON: This bill takes general fund money out of the general fund and creates a larger under-funded position in the operating budget. Education is the paramount duty and the state has not solidified a plan to fully fund education. Shifting funds from the operating budget to the

transportation budget is concerning. This is a policy issue that brings ideological issues into a non-political issue and it is irresponsible budgeting.

OTHER: The transfer needs to be looked at closely to ensure that funding is not diverted from education. Imposing sales tax and bonding that cost causes people to lose trust in the trust fund. Transferring funds back for transportation use goes a long way to regaining public trust.

Persons Testifying (Transportation): PRO: Duke Schaub, Associated General Contractors of WA; Larry Pursley, WA Trucking Assns.; Neil Strege, WA Business Roundtable; Van Collins, American Council of Engineering Companies; Mike Ennis, Assn. of WA Business; Tom Pierson, Tacoma Pierce County Chamber of Commerce; Carolyn Logue, South Sound Chambers of Commerce Legislative Coalition; Todd Woosley, East King County Chambers of Commerce Legislative Coalition; Scott Dilley, WA Farm Bureau.

CON: Shawn Lewis, WA Education Assn.; Joe Kendo, WA State Labor Council; Nick Federici, WA United for Fair Revenue.

OTHER: Bob Pishue, WA Policy Center; Charles Knutson, Governor's Office.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: Reinvesting sales tax on highway projects creates jobs and the economic development that is generated will benefit everyone.

CON: These are funds that are needed for education and should not be diverted.

Persons Testifying (Ways & Means): PRO: Michael Ennis, Assn. of WA Business; Michael Transue, Tacoma Pierce County Chamber of Commerce; Duke Schaub, Associated General Contractors.

CON: Joe Kendo, WA State Labor Council; Shawn Lewis, WA Education Assn.; Nick Federici, WA United for Fair Revenue; John Lane, Office of Financial Management.