

HOUSE BILL REPORT

HB 1175

As Reported by House Committee On: Finance

Title: An act relating to increasing the rate of sales and use tax that may be imposed by certain transportation benefit districts.

Brief Description: Increasing the rate of sales and use tax that may be imposed by certain transportation benefit districts.

Sponsors: Representatives Muri and Ryu.

Brief History:

Committee Activity:

Finance: 1/17/17, 2/3/17 [DPS].

Brief Summary of Substitute Bill

- Increases the rate of sales and use tax that may be imposed by certain transportation benefit districts.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Condotta, Dolan, Springer, Stokesbary and Wilcox.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Assistant Ranking Minority Member.

Minority Report: Without recommendation. Signed by 1 member: Representative Pollet.

Staff: Rachelle Harris

Background:

Transportation Benefit Districts.

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.

A Transportation Benefit District (TBD) is an independent taxing district and quasi-municipal corporation. A TBD may be created to acquire, construct, improve, provide, and fund transportation improvement projects within a district. The legislative authority of a city or county may create one, and other jurisdictions are incorporated via interlocal agreements.

Transportation Benefit District's have the authority to raise revenue the following ways, each of which are subject to voter approval:

- excess property taxes for up to one-year;
- a local sales and use tax of up to 0.2 percent;
- annual vehicle fees of up to \$100; and
- vehicle tolls, subject to various restrictions.

A TBD may also raise revenue by imposing an annual vehicle fee of up to \$50 or by establishing transportation impact fees on commercial and industrial development. These options do not require voter approval.

Public Transportation Benefit Areas.

A Public Transportation Benefit Area (PTBA) is a special taxing district established solely for the purpose of funding public transportation services. Public Transportation Benefit Area's are established within all or a portion of a county or counties. Cities must be wholly included or excluded. A PTBA is the most common type of public transportation service in the state.

A PTBA may collect fares, tolls, and other charges for the use of the transportation services it provides. Additionally, it may impose a sales and use tax of up to 0.9 percent, subject to voter approval.

Summary of Substitute Bill:

A TBD that is established by a city with a population between 7,500 and 20,000, which borders both the Puget Sound and an interstate freeway, and is located in a county with a population between 700,000 and 1,500,000 that also contains a city with a population of more than 150,000 may impose a sales and use tax that may not exceed the lesser of the sale and use tax imposed by a PTBA located in the same county or 0.9 percent.

Based on 2016 Office of Financial Management population estimates, the bill would only apply to the City of DuPont, which is in Pierce County. The only PTBA in Pierce County is Pierce Transit, which levies a sales tax rate of 0.6 percent. Therefore, the bill would allow a TBD established by DuPont to levy a sales tax rate of up to 0.6 percent.

Substitute Bill Compared to Original Bill:

The substitute makes a technical change related to a typographic error.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on August 1, 2017.

Staff Summary of Public Testimony:

(In support) DuPont is a major economic driver in Pierce county. DuPont is also a virtual island, surrounded by military bases and water. Right now there is no public transit service to DuPont. This bill will help to reduce traffic congestion and alleviate air and water pollution. The City of DuPont was previously part of Pierce Transit but was receiving no transit service, so the city left the authority in 2012. Reannexation was considered, because about 75 percent of DuPont citizens desire public transit. However, Pierce Transit was not interested because it is not efficient for them.

DuPont also engaged with Intercity Transit, but that option was not legally available. DuPont is a city of 9,300 people with billions of dollars in economic activity. DuPont is home to many corporations and businesses and the city is growing. DuPont's high school is far away from the city center, which makes it difficult to get around for students. This bill would provide the same taxing authority for DuPont as that of neighboring transit districts. The revenue that would be generated with this authority will be sufficient to meaningfully connect the community. There is a lot of traffic congestion around the area, especially on Interstate 5. A better job can be done by increasing the amount of public transit available.

(Opposed) None.

Persons Testifying: Representative Muri, prime sponsor; and Michael Courts, City of DuPont.

Persons Signed In To Testify But Not Testifying: None.