
Transportation Committee

HB 2113

Brief Description: Assisting persons with special transportation needs by providing tax incentives to businesses.

Sponsors: Representatives Young, Blake, Pettigrew, Farrell, Vick, Jenkin and Kilduff.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates a credit under the business and occupation (B&O) tax for the provision of special needs transportation services by certain transportation providers.
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Hearing Date: 2/21/17

Staff: Mark Matteson (786-7145).

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, including activities of organizations classified as nonprofit under federal tax law, without any deduction for the cost of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Public Utility Tax. The public utility tax (PUT) is applied to gross income derived from operation of public and privately owned utilities, including the general categories of transportation, communications, and the supply of energy and water. The PUT is in lieu of the B&O tax. The applicable PUT rate depends upon the specific utility activity.

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.

Tax Preference Performance Statement. In 2013 legislation was enacted which requires all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference.

Assistance for Persons with Special Transportation Needs. The state provides certain assistance for persons with special transportation needs, including persons, who because of physical or mental disability, income status, or age are unable to transport themselves or to purchase appropriate transportation. The Department of Social and Health Services provides certain amounts of funding for transportation services for the elderly and the disabled. In addition, since 2003, the transportation budget has included funding appropriated to the Washington State Department of Transportation (WSDOT) to provide grants to transit agencies and nonprofit providers of special needs transportation; in the 2016 Supplemental Transportation Budget, \$8.75 million was provided to nonprofit providers specifically, to be allocated to providers based on need, including the availability of other providers of service in the area, efforts to coordinate trips among providers and riders, and the cost effectiveness of trips provided. Moreover, amounts received by private, nonprofit corporations for the provision of special needs transportation services are exempt from tax under the B&O tax and the PUT.

Summary of Bill:

A credit is provided against liability under the B&O tax for certain entities that provide transportation services for persons with special needs. The amount of credit is equal to the mileage rate multiplied by the number of miles that a person with special transportation needs is driven to or from a place of employment. The mileage rate is the standard rate established by the Internal Revenue Service for businesses for the deductible costs of operating the business; for 2017, the rate is 53.5 cents per mile. Eligible entities that qualify for the credit include providers of for-hire vehicles, ride-sharing vehicles, vehicles used by nonprofit transportation providers for elderly or handicapped persons and their attendants, and auto transportation companies. The maximum amount of credit allowed per taxpayer is \$10,000 annually. The amount of credit claimed may not exceed tax liability, and unused credit may not be carried over.

No application is required to qualify for the credit, but entities claiming the credit must keep records necessary for the Department of Revenue (DOR) to verify eligibility. An entity claiming a credit must file returns and other information in an electronic format, as specified by the DOR. An entity claiming credit must also file a report with the DOR that includes the number of persons with special transportation needs who are served, the number and mileage of each route, and any other information the DOR may require to determine eligibility.

The maximum amount of credit available statewide is \$500,000 annually. The credits are available on a first-come basis and the DOR must provide notice when the cap has been reached.

The credit expires on January 1, 2028.

A tax preference performance statement is included for the credit. The statement provides that it is the Legislature's public policy objective to increase the mobility of persons with special

transportation needs, particularly with respect to employment, by decreasing the time spent waiting for public or nonprofit transportation providers for transportation to or from work. The statement also provides that it is the intent of the Legislature to increase options by providing a tax incentive to reduce the price charged by private sector transportation providers. If an evaluation finds that more than 10,000 route trips have been taken by persons with special transportation needs with private for-profit transportation providers, and that the number of such trips taken is increasing, then the Legislature intends to extend the term of the tax preference.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on January 1, 2018.