

# SENATE BILL REPORT

## 2ESB 5893

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As Passed Senate, June 13, 2017

**Title:** An act relating to the administration of motor vehicle excise taxes by regional transit authorities.

**Brief Description:** Concerning the administration of motor vehicle excise taxes by regional transit authorities.

**Sponsors:** Senators O'Ban, Rossi, Becker, Rivers, Miloscia, King, Bailey, Braun, Wilson, Walsh, Zeiger, Angel, Warnick, Brown, Honeyford, Fortunato, Pearson, Padden, Fain, Schoesler and Hawkins.

**Brief History:**

**Committee Activity:** Transportation: 3/27/17, 3/29/17 [DP, DNP].

**Floor Activity:**

Passed Senate: 4/06/17, 25-24.

**First Special Session:** Passed Senate: 5/02/17, 25-20.

**Second Special Session:** Passed Senate: 6/13/17, 25-22.

**Brief Summary of Second Engrossed Bill**

- Requires a Regional Transit Authority (RTA) to establish a motor vehicle excise tax (MVET) market value adjustment program (MVAP).
- The amount of a credit under the MVAP is the difference between the current MVET and an assumed MVET of 0.5 percent based on base model Kelley Blue Book values or National Automobile Dealers Association (NADA) values, whichever is lower.
- Requires Department of Licensing (DOL) to only contract with an RTA for collection of an MVET if it has implemented a MVAP, and any contract with an RTA must provide DOL with full cost recovery.

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass.

Signed by Senators King, Chair; Sheldon, Vice Chair; Hobbs, Ranking Minority Member; Ericksen, Fortunato, Hawkins, O'Ban, Walsh and Wilson.

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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.*

**Minority Report:** Do not pass.

Signed by Senators Liias, Assistant Ranking Minority Member; Cleveland, Saldaña, Takko and Van De Wege.

**Staff:** Hayley Gamble (786-7452)

**Background:** Regional Transit Authorities. An RTA is authorized to use its tax revenues to plan, construct, and operate high-capacity transportation, such as express bus service and light rail. There is currently one RTA—Sound Transit—which operates light rail, commuter rail, and express bus service in Puget Sound. Sound Transit currently imposes the following voter-approved taxes:

- 1.4 percent sales and use tax;
- 1.1 percent MVET;
- an annual \$0.25 per \$1,000 of assessed value property tax; and
- a rental car sales tax of 0.8 percent.

Motor Vehicle Excise Tax. An MVET is a tax paid on the value of a motor vehicle. Voter-approved Initiative 695 (2000) and Initiative 776 (2003) repealed statewide and local MVETs. Both initiatives were eventually ruled unconstitutional in whole or in part, however the Legislature repealed the statewide MVET in 2000. Certain local MVETs were retained: Sound Transit and the Seattle Monorail. As of 2017, Sound Transit is the only currently operating local agency imposing an MVET to develop and operate a high capacity transit (HCT) system. The 2005 Transportation Budget directed the Joint Transportation Committee (JTC) to study the feasibility of developing a uniform MVET depreciation schedule that would more accurately reflect vehicle value and not hinder existing debt obligations. As a result of the study, the Legislature passed SSB 6247 (2006) which enacted a new valuation schedule.

MVET Valuation Schedule Pre-2006. The following vehicle valuation schedule for passenger cars and trucks was in statute prior to 2006 and is currently used by DOL and Sound Transit:

<b>Year</b>	<b>Schedule 1*</b>	<b>Schedule 2**</b>
1	100%	100%
2	95%	90%
3	89%	83%
4	83%	75%
5	74%	67%
6	65%	59%
7	57%	52%
8	48%	44%
9	40%	36%
10	31%	28%
11	22%	21%
12	14%	13%
13 or older	10%	10%

\* Schedule 1: Passenger vehicles, motorcycles, light-duty trucks, and small trailers. Base manufacturer's suggested retail price (MSRP) is used in the valuation.

\*\* Schedule 2: Certain trucks with scale weight of over 6001 pounds.

Valuation Schedule Post-2006. This vehicle valuation schedule is currently provided in statute.

<b>Year</b>	<b>Schedule A*</b>	<b>Schedule B**</b>
1	100%	100%
2	81%	81%
3	67%	72%
4	55%	63%
5	45%	55%
6	37%	47%
7	30%	41%
8	25%	36%
9	20%	32%
10	16%	27%
11	13%	26%
12	11%	24%
13	9%	23%
14	7%	21%
15	3%	16%
16 or older	0%	10%

Base vehicle valuation is defined at 85 percent of MSRP for all taxable vehicle use classes other than heavy and medium trucks. Base value for heavy and medium trucks is defined by latest purchase price (Schedule A).

\* Schedule A: Heavy and medium trucks whose empty scale weights exceed 6000 pounds, including commercial and log use trucks. Valuation represents the average, annual national market depreciation for all vehicles in the class. The same method as provided in Schedule 2, above, is used.

\*\* Schedule B: All other vehicles. The valuation represents average, annual western-region market depreciation for passenger vehicles and light trucks.

Current Regional Transit Authority MVET. In 2015, the Legislature passed an omnibus transportation revenue bill that included authority for an RTA to increase their MVET collection by 0.8 percent with voter approval. The MVET authority provided in the revenue bill specified that the vehicle valuation method for collection of the 0.8 percent MVET would be the MVET schedule as it was listed in statute in January 1996, until bonds issued against the original 0.3 percent MVET have been paid off. Bonds issued against the original 0.3 percent MVET are currently anticipated to be paid off in 2028, at which point the 0.3 percent MVET will cease being collected. MVET that is collected after December 31st in the year the 0.3 percent MVET bond debt is retired must use the valuation schedule enacted in 2006.

Department of Licensing. Before beginning collection of an MVET, a local government, which includes Sound Transit, must contract with the DOL for the collection of the tax. DOL may charge a reasonable amount for administration costs.

**Summary of Second Engrossed Bill:** Market Value Adjustment Program (MVAP). Requires an RTA to implement a market value adjustment program, under which a credit is allowed against total MVET due in an amount equal to the tax due under current law, less the tax due assuming a rate of 0.5 percent and based on vehicle valuation through Kelley Blue Book or NADA (whichever is lower), if the net result is positive. An RTA must implement the program in a manner that allows the delivery of the system and financing plan approved by the RTA's voters in 2016, to the extent practicable. Except for the property tax authorized in RCW 81.104.175 and project schedule adjustments, the MVAP may be funded by any resources available to the authority.

Contracting for Collection of MVET. An RTA may only contract with the DOL for the collection of an MVET if the RTA has implemented a MVAP. Any contract to collect an MVET must provide DOL sufficient funding to fully cover current and future costs associated with the tax collection process, including customer service, information technology, and public announcements.

Other Elements: Until the system and financing plan adopted by the RTA voters in 2016 is completed, the RTA must submit an annual report to the transportation committees of the Legislature on the status of the delivery of the plan. This act is to be construed to preclude an RTA from defeasing bonds.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: The middle class is already burdened with many taxes, and now they must pay a tax that is sometimes based on three times the value of the vehicle. Most taxpayers cannot come and testify on this bill but I have received many concerns about the overvaluation of vehicles and high taxes. The schedule used has been repealed and needs to be put down for the final time. The bill prevents DOL from collecting this unfair tax.

CON: We do not want any legislation that will prevent Sound Transit (ST) from delivering this voter approved program. This would impact family wage jobs. Kelley Blue Book does not work. We recognize the concerns of taxpayers, especially those with low income. ST3 is a voter approved initiative, strongly supported by a strong and diverse coalition. Taking steps that harm ST will just impact the people ST serves and will impact public health negatively throughout the region. Fifty-four percent of ST voters supported ST3. Voters were provided with a calculator online to determine what their ST3 taxes would be. Pierce and Snohomish are some of the fastest growing counties in the country. ST is not here to

point fingers, we want to work together with the Legislature and pass a motion to do this. If you take away revenue, some projects may not happen or will be delayed. People requested projects sooner. It would cost \$3-\$6bn to change schedules, which means fewer projects. Now is not the time to jeopardize these projects. ST provides reliable transportation. This could cause the loss of future low-income housing. People are making choices to not travel to Seattle due to the traffic congestion. The MVET schedule charges higher value cars more, which makes it a progressive tax.

OTHER: This bill would provide relief to taxpayers. The ST guide stated how much MVET would be collected, but not the schedule that would be used. The DOL removed the links to the old depreciation schedule from its website. Only in 2017 was the schedule added to the DOL website.

**Persons Testifying:** PRO: Senator Steve O'Ban, Prime Sponsor.

CON: Ricardo Gotla, Transportation Choices Coalition; Marilyn Strickland, Sound Transit/ Mayor, City of Tacoma; Claudia Balducci, Sound Transit/King County Councilmember; Monty Anderson, King County Building and Construction Trades Council; Ellicott Dandy, OneAmerica; Bryce Yadon, Futurewise; Mindi Linqvist, VP of Public Affairs Seattle Metro Chamber; Dale Bright, Pol. Dir. Laborers Local 242; Jeremy Une, COPE Chair Amalgamated Transit Union local 587; Tim Gould, Sierra Club.

OTHER: Mariya Frost, Washington Policy Center.

**Persons Signed In To Testify But Not Testifying:** No one.