
Transportation Committee

HB 2946

Brief Description: Reducing the financial costs imposed by the state government on working Washington families.

Sponsors: Representatives Stokesbary, Wilcox, Orcutt, Barkis, MacEwen, Griffey, Mosbrucker, Irwin, Steele, Graham, Smith, Chambers, Maycumber, Boehnke, Kretz, Goehner, Corry, Gildon, Sutherland, Vick, Harris, Hoff, Chandler, Eslick, Volz, Ybarra, Walsh, Jenkin, Schmick, Dent, Van Werven, Klippert, Dufault, Caldier, Kraft, Dye, McCaslin, Rude, DeBolt and Young.

Brief Summary of Bill

- Conditionally enacts all sections of Initiative 976, except for the repeal of the 0.3 percent sales tax on motor vehicle purchases that is deposited into the Multimodal Transportation Account.
- Transfers an increasing portion of the state sales and use tax on vehicles sales, which increases to one-third of the total amount collected beginning on July 1, 2023, to the Motor Vehicle Fund and Multimodal Transportation Account.
- Exempts diapers, diaper services, feminine hygiene products, breast pumps and related goods and services, and prepared food sold by grocery stores from the sales and use tax.

Hearing Date: 2/29/20

Staff: David Munnecke (786-7315).

Background:

Registration and Vehicle Weight Fees.

Motor vehicles used on public highways generally must be registered annually with the Department of Licensing (DOL). Most vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, are subject to: (1) a \$30 annual registration fee; (2) an annual weight fee of \$25 to \$72 based on the scale weight of the vehicle; and (3) other fees

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totaling \$8.75. There are also fees and charges based on where the vehicle is registered geographically and whether the vehicle qualifies for a fee based on vehicle type (such as electric vehicles and motor homes).

The majority of the proceeds from vehicle weight fees are deposited in the Multimodal Transportation Account. Funds in the account are used for transportation purposes, which is broader than highway purposes and can include public transportation and rail.

Beginning July 1, 2022, an additional \$10 per year weight fee is added and will be deposited into the Multimodal Transportation Account, unless prior to July 1, 2023, a state clean fuel standard policy is initiated or implemented, in which case the weight fee is deposited into the Connecting Washington Account.

License Fee by Weight for Light Duty Trucks.

In lieu of the vehicle license fee and weight fees, trucks, including light duty trucks, are subject to a license fee based on gross vehicle weight. For light duty trucks, which are those trucks under 10,000 pounds, the current annual license fees by weight range from \$53 to \$93.

Beginning July 1, 2022, an additional \$10 per year fee is added on vehicles with a gross vehicle weight of less than or equal to 12,000, which is distributed to various accounts within the Motor Vehicle Fund, consistent with the distributing of other license fees by weight.

Commercial Trailer Registration Fee.

A commercial trailer is a trailer that is principally used to transport commodities, merchandise, produce, freight, or animals. The initial registration fee for a commercial trailer is \$34, and the registration renewal fee for a commercial trailer is \$30 per year. Prior to 2010, when a reorganization of registration statutes occurred, the annual fees for an initial and renewal commercial trailer registration were each \$34. Commercial trailer registration fees are deposited into a variety of transportation accounts.

Snowmobile Registration Fee.

A snowmobile is a self-propelled vehicle capable of traveling over snow and ice. An owner must register a snowmobile with the DOL before operating it and pay a \$50 annual registration fee. Upon receipt of payment, the DOL will issue the applicant a decal, which must be affixed to the right or left side of the snowmobile below the windshield. The decal serves the same function as a license plate for on-road vehicles within Washington. Snowmobile registration fees are deposited into the Snowmobile Account to be used for the operation and maintenance of snowmobile facilities and for the implementation of snowmobile safety, enforcement, and education programs.

Motor Home Vehicle Weight Fee.

A motor home is a motor vehicle originally designed, reconstructed, or permanently altered to provide facilities for human habitation. A person applying for a motor home vehicle registration must, in lieu of the motor vehicle weight fee, pay a motor home vehicle weight fee of \$75 per year in addition to all other fees and taxes required by law. The motor home vehicle weight fee is deposited into the Freight Mobility Multimodal Account and Multimodal Transportation Account.

Electric Vehicle Fee.

In addition to any other fees due at annual vehicle registration renewal, vehicles that are powered by electricity are subject to two electric vehicle fees that total \$150. The first fee is \$100 and is deposited into the Motor Vehicle Fund, up to \$1 million annually. If in any year the amount collected exceeds \$1 million, the excess amount is distributed as follows: (1) 70 percent to the Motor Vehicle Fund; (2) 15 percent to the Transportation Improvement Account; and (3) 15 percent to the Rural Arterial Trust Account. The second fee is \$50 and is distributed as follows: (1) the first \$1 million raised by the fee must be deposited into the Multimodal Transportation Account; and (2) any remaining amounts must be deposited into the Motor Vehicle Fund. The \$1 million threshold was reached in November 2017, and fee revenues from the \$50 fee are currently deposited into the Motor Vehicle Fund.

Sales and Use Tax on Vehicles.

The current sales tax rate for the State of Washington is 6.5 percent. An additional 0.3 percent sales tax on vehicle purchases was enacted in 2003. Revenue generated from the 0.3 percent sales tax on vehicles is deposited into the Multimodal Transportation Account.

Transportation Benefit District Vehicle Fees.

A Transportation Benefit District (TBD) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the TBD. A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. A TBD has independent taxing authority to implement the various revenue measures with voter approval.

A TBD may impose a vehicle fee of: (1) up to \$20 annually with a majority vote of the governing body; (2) up to \$40 upon a majority vote of the governing body if a \$20 fee has been in effect for at least 24 months; and (3) up to \$50 upon a majority vote of the governing body if a \$40 fee has been in effect for at least 24 months. Any license fees over these amounts, up to \$100, must be approved by a simple majority of voters.

Local Motor Vehicle Excise Taxes for Passenger Ferry Service.

Public Transportation Benefit Areas (PTBAs) with a boundary on the Puget Sound, but do not include an area where a Regional Transit Authority has been formed, may submit a proposition to the voters for the imposition of a Motor Vehicle Excise Tax (MVET) of up to 0.4 percent solely for the purpose of providing passenger-only ferry service. Currently, no PTBA imposes this local option MVET.

Regional Transit Authorities.

A Regional Transit Authority (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) 1.4 percent sales and use tax; (2) a 1.1 percent MVET; (3) an annual 25 cents per \$1,000 of assessed value property tax; and (4) 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 in law. Sound Transit is the only local agency currently imposing an MVET to develop and operate a high-capacity transit system.

Until 1990 vehicle valuation was determined by agency rules. In 1990 the Legislature adopted statutory valuation schedules. Under the 1990 change, the tax base is the manufacturer's base suggested retail price when the vehicle is first offered for sale, multiplied by a depreciation schedule.

The 2005 Transportation Budget directed the Joint Transportation Committee 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 Substitute Senate Bill 6247 (2006) which enacted a new valuation schedule. This vehicle valuation schedule is currently provided in statute.

Regional Transit Authority Motor Vehicle Excise Tax.

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. The MVET that is collected after December 31 in the year the 0.3 percent MVET bond debt is retired must use the valuation schedule enacted in 2006.

Kelley Blue Book.

Kelley Blue Book is an Irvine, California-based vehicle valuation and automotive research company that reports market value prices for new and used automobiles of all types, as well as motorcycles.

Department of Licensing.

In order to collect an MVET, a local government, which includes Sound Transit, must contract with the DOL for the collection of the tax. The DOL may charge a reasonable amount for administration costs.

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Vehicle Weight Fees.

The annual fees of \$25 to \$72 based on the scale weight of motor vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, are repealed. The \$10 annual fee increase scheduled to go into effect July 1, 2022, is also repealed.

License Fee by Weight for Light Duty Trucks.

The annual weight fees for light duty trucks are lowered to \$30.

Weight Class	Current Fee	Proposed Fee
4,000 lbs. or less	\$53	\$30
4,001 – 6,000 lbs.	\$73	\$30
6,001 – 8,000 lbs.	\$93	\$30
8,001 – 10,000 lbs.	\$93	\$30

The \$10 annual fee increase on light duty trucks scheduled to go into effect on July, 1, 2022, is not impacted by the initiative.

Commercial Trailer Registration Fee.

The initial registration fee for commercial trailers is lowered from \$34 to \$30. The renewal registration fee remains at \$30.

Snowmobile Registration Fee.

The initial and renewal registration fees for snowmobiles are lowered from \$50 to \$30.

Motor Home Vehicle Weight Fee.

The annual motor home vehicle weight fee of \$75 is repealed.

Electric Vehicle Fee.

The \$100 annual electric vehicle renewal fee is lowered to \$30. The \$50 annual fee is eliminated. Therefore, the additional renewal fee required for electric vehicles is effectively lowered from \$150 to \$30 per year.

Transportation Benefit District Vehicle Fees.

The authority for a TBD to impose a vehicle fee is repealed.

Local Motor Vehicle Excise Tax for Passenger Ferry Service.

The authority of the PTBAs with a boundary on the Puget Sound, to impose an MVET of up to 0.4 percent, is repealed.

Vehicle Valuation and Motor Vehicle Excise Tax.

The authority of Sound Transit to impose an MVET of 0.8 percent is conditionally repealed. The current vehicle valuation schedule for purposes of determining the MVET is conditionally repealed. The value of a vehicle for purposes of collecting an MVET and appealing vehicle valuation must be based on the Kelly Blue Book value.

Rental Car Sales Tax.

The rental car sales tax of 2.172 percent for high-capacity transportation systems is conditionally repealed.

Retirement of Sound Transit Debt.

Sound Transit is directed to retire, defease, or refinance any outstanding bonds issued with MVET as a pledged revenue source, if the contractual terms allow for early payment or refinancing.

Contingent Effective Date and Expiration Provisions.

At the time Sound Transit retires, defeases, or refinances all outstanding bonds with MVET pledged for repayment, the authority to levy an MVET, the authority to levy a rental car sales tax, and the current vehicle valuation schedule are repealed. If this has not occurred by March 31, 2020, the authority of Sound Transit to impose an MVET is lowered from 0.8 percent to 0.2 percent.

If a court of final jurisdiction holds that Initiative 976 is no longer enjoined, the sections of the bill enacting the initiative expire immediately,

Sales and Use Tax Deposits.

Beginning on July 1, 2020, 10 percent of the state sales and use tax collected on the retail sale of a vehicle must be deposited in transportation accounts, with 25 percent of the 10 percent deposited in the Motor Vehicle Fund and the remaining 75 percent deposited in the Multimodal Transportation Account. Beginning on July 1, 2021, the portion of the state sales and use tax collected on the retail sale of a vehicle that must be deposited in transportation accounts increases to 20 percent, with the same proportional deposits to the Motor Vehicle Fund and the Multimodal Transportation Account. Beginning on July 1, 2022, the portion of the state sales and use tax collected on the retail sale of a vehicle that must be deposited in transportation accounts increases to 30 percent, with the same proportional deposits to the Motor Vehicle Fund and the multimodal transportation account. Finally, beginning on July 1, 2023, the portion of the state sales and use tax collected on the retail sale of a vehicle that must be deposited in transportation accounts increases to one-third, with the same proportional deposits to the Motor Vehicle Fund and the Multimodal Transportation Account.

For purposes of the deposits described above, a vehicle is defined to include, but is not limited to, passenger vehicles, light trucks, commercial vehicles, travel trailers, recreational vehicles, intermittent use trailers, motorcycles, and campers, but "vehicle" does not include:

- farm tractors or farm vehicles, unless the farm tractor or farm vehicle is for use in the production of marijuana;
- off-road vehicles;
- nonhighway vehicles;
- bicycles; and
- snowmobiles.

If the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then the deposits described above are suspended for that fiscal year.

Sales and Use Tax Exemptions.

Diapers, diaper services, feminine hygiene products, breast pumps and related goods and services, and prepared food sold by grocery stores are exempted from the sales and use tax. Each of these sales and use tax exemptions is exempted from both the 10-year expiration requirement and the TPPS requirement.

Appropriation: None.

Fiscal Note: Requested on February 24, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except sections 201, 202, 203, 204, 205, 206, 207, and 210, which take effect immediately; sections 208 and 209, which take effect the date section 210 is complied with; section 211, which takes effect on April 1, 2020, if sections 208 and 209 have not taken effect by March 31, 2020; and sections 212 and 213, which take effect July 1, 2020.