

SENATE BILL REPORT

SB 5042

As of February 26, 2019

Title: An act relating to establishing a vehicle valuation method for a regional transit authority collecting a motor vehicle excise tax that is based on Kelley blue book or national automobile dealers association values.

Brief Description: Establishing a vehicle valuation method for a regional transit authority collecting a motor vehicle excise tax that is based on Kelley blue book or national automobile dealers association values.

Sponsors: Senators O'Ban, Becker, Conway, Fortunato, Honeyford, Zeiger, Mullet and Short.

Brief History:

Committee Activity: Transportation: 2/26/19.

Brief Summary of Bill

- Requires a Regional Transit Authority (RTA) to establish a motor vehicle excise tax (MVET) market value adjustment program (MVAP).
- Requires that 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 values, whichever is lower.
- Requires Department of Licensing (DOL) to only contract with an RTA for collection of a MVET if it has implemented a MVAP, and any contract with a RTA must provide DOL with full cost recovery.

SENATE COMMITTEE ON TRANSPORTATION

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:

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- 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 Voter-approved Initiative 695 (2000) and Initiative 776 (2003) repealed statewide and local MVETs.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 However, the Legislature repealed the statewide MVET in 2000.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. 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 to simplify MVET administration. 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 following vehicle valuation schedule for passenger cars and trucks is currently used by DOL and Sound Transit:

MVET Valuation Schedule Currently in Use

Year	Schedule 1*	Schedule 2**
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.

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. This vehicle valuation schedule is currently provided in statute.

2006 Valuation Schedule

Year	Schedule A*	Schedule 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%

*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, MVET Valuation Schedule Currently in Use, is used.

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

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)

Current 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. 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 DOL for the collection of the tax. DOL may charge a reasonable amount for administration costs.

Kelley Blue Book & National Automobile Dealers Association. Kelley Blue Book and the National Automobile Dealers Association (NADA) are commercial vehicle-pricing services that require information such as vehicle condition and mileage information to provide a vehicle value range.

Summary of Bill: Motor Vehicle Excise Tax Credit Program. Requires an RTA to implement a market value adjustment program by December 31, 2019, 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.

Retroactive Credit. The program must provide credit retroactive to the date the 0.8 MVET was first collected.

Implementing the Credit Program. 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, to the extent practicable.

Funding the Credit Program. Except for the property tax authorized and project schedule adjustments, the MVAP may be funded by any resources available to the authority.

Contracting for Collection of Motor Vehicle Excise Tax. An RTA may only contract with DOL for the collection of an MVET if the RTA has implemented an 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.

Reporting and Other Elements. Until the system and financing plan adopted by RTA is completed, the RTA must submit an annual report to the transportation committees of the Legislature on the status 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: This bill is intended to provide substantive relief to taxpayers. There was concern an initiative would be introduced if the Legislature did nothing and this has now happened. I have seen many emails stating taxpayers cannot afford current card tabs. The Legislature needs to take action this year. This bill is about fairness

and trust. Sound Transit essentially lied to the voters. Sound Transit took advantage of the Legislature. It is important to move to a Kelley Blue Book valuation.

CON: This would cause a loss of revenue for Sound Transit, with a larger impact on the disabled community. Transit in this region has allowed me to work here. ST3 was a voter approved program. We need the projects funded to connect the region. Cuts in Sound Transit revenue should be back filled. This bill would have a large detrimental impact on Sound Transit revenues. Between 2017-2021 Sound Transit would lose \$5 billion in revenue and \$12 billion total.

OTHER: This bill represents good policy. The bill applied a retroactive credit for overcharges paid since 2017. Sound Transit can afford this bill, they can always absorb cost increases. This bill is responsive to overcharged taxpayers. Sound Transit's financial plans was recently updated, showing a \$63 billion increase in tax revenues.

Persons Testifying: PRO: Senator Steve O'Ban, Prime Sponsor; Victor Bishop, Eastside Transportation Association, Chair Emeritus.

CON: John Marchione, Sound Transit Board Chair; Bryce Yadon, Transportation Choices Coalition; Anna Zivarts, Rooted in Rights; Kristina Walker, Downtown on the Go; Ryan Mello, Tacoma City Council.

OTHER: Mariya Frost, Washington Policy Center.

Persons Signed In To Testify But Not Testifying: OTHER: Tim Eyman, \$30 Tabs Initiative.