SENATE BILL REPORT
SB 5075

As of March 1, 2019

Title: An act relating to the creation of a motor vehicle excise tax low-income market value adjustment program.

Brief Description: Creating a motor vehicle excise tax low-income market value adjustment program.

Sponsors: Senators Kuderer, Palumbo, Wellman, Hunt, Hasegawa and Darneille.

Brief History:
Committee Activity: Transportation: 2/26/19.

Brief Summary of Bill

- Requires a regional transit authority (RTA) to implement a low-income market value adjustment program, which calculates a credit on motor vehicle excise taxes.
- Requires the RTA to 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.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Hayley Gamble (786-7452)

Background: Regional Transit Authority. 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 motor vehicle excise tax (MVET);
- an annual \$0.25 per \$1,000 of assessed value property tax; and
- a rental car sales tax of 0.8 percent.

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.

MVET. A 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 Voter-approved Initiative 695 (2000) and Initiative 776 (2003) repealed statewide and local MVETs. Both initiatives were eventually ruled unconstitutional in whole or in part, however the Legislature repealed the statewide MVET in 2000.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 Department of Licensing (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)

<u>Current RTA MVET</u>. 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 31 in the year the 0.3 percent MVET bond debt is retired must use the valuation schedule enacted in 2006.

<u>DOL.</u> Before beginning collection of a 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.

<u>Federal Poverty Level.</u> Federal Poverty Guidelines, also called the Federal Poverty Level is issued annually by the Federal Department of Health and Human Services. New guidelines are issued in January for the same year and are used for administrative purposes, including determining financial eligibility for certain Federal programs.

Summary of Bill: Low-Income MVET Credit Program. An RTA that includes portions of a county with a population of more than 1.5 million persons and that imposes an MVET must establish a low-income market value adjustment program (program) to be implemented for eligible vehicles with registrations due on or after July 1, 2019. Eligible vehicles are defined as ten years old or newer, owned by low-income individuals. Low-income individuals are defined as a person with an income at or below 250% of the federal poverty line, adjusted for family size, for the county in which they reside.

Under the program, the RTA must provide a credit to those eligible against tax due equal to the tax under current law, less the tax otherwise due, were the tax to be calculated using the 2006 valuation schedule, but only if the resulting difference is positive. The credit applies only to the 0.8 percent MVET.

Retroactive Credit. The program must allow additional one-time credits for MVET between September 1, 2019, and the end of June 2020, calculated in the same way as the ongoing credit program, for a taxpayer that paid the MVET tax between January 1, 2019 and July 1, 2019.

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. The program may be funded by any resources available to the RTA.

DOL Cost Recovery and Notification to Taxpayers. DOL must receive full cost recovery from an RTA to administer the credit program. DOL must include in vehicle renewal notices the net result owed after the credit is applied under the market value adjustment program, along with an insert providing a general description of how the bill affects taxpayers.

Reporting. 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.

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 is a continuation of a conversation from last year on MVET. It balances getting relief to low-income working families with maintaining the Sound Transit projects. This fiscal impact is much lower than last years bill. People in my district need financial help.

CON: Sound Transit is concerned about keeping the financial plan whole. Sound Transit estimates a cost of $176 million in lost revenue with overall impact of $500 million. Please consider proposals to replace any lost revenue to Sound Transit.

OTHER: This does provide some tax relief. Low-income people rely on transit. There needs to be review of administrative costs and a backfill of revenue.

Persons Testifying: PRO: Senator Patty Kuderer, Prime Sponsor.

CON: John Marchione, Sound Transit Board Chair.

OTHER: Bryce Yadon, Transportation Choices Coalition.

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