
Finance Committee

HB 1657

Brief Description: Reducing the emissions and safety risks of inadequate commercial truck parking supply through tax incentives.

Sponsors: Representatives Griffey, Barkis, Graham, Dent, Rule and Young.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Provides tax incentives for the construction of new commercial truck parking spaces accessible to the public and suitable for overnight use.
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Hearing Date: 1/25/22

Staff: Tracey Taylor (786-7152).

Background:

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 4.0 percent, depending on the location.

Property Tax - Regular Levies.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:

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- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Leasehold Excise Tax.

State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property that exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12.84 percent of taxable rent.

Tax Preferences.

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 that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) 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:

Beginning with taxes levied for collection in calendar year 2023, all real and personal property may be exempt from property taxes if there are at least 10 safe, overnight commercial truck parking spaces. The parcel is exempt from the date upon which substantial construction work begins until one year after the secretary of the Department of Transportation certifies that the state has sufficient safe, overnight commercial truck parking or January 1, 2033, whichever is sooner. "Commercial truck parking spaces" must meet minimum dimensions of 11 feet wide by 54 feet long.

Sales and use taxes do not apply to the sales of materials and labor used to construct a parking lot with at least 10 qualified commercial truck parking spaces or 10 qualified port district truck parking spaces. Construction of the parking lot must commence after the effective date of this act. A "qualified commercial truck parking space" means a space that has minimum dimensions of 11 feet wide and 54 feet long, is accessible and suitable for overnight use, and allows for the fueling of electric batteries or hydrogen fuel cells.

A "qualified port district truck parking space" must have a minimum dimension of 11 feet wide and 54 feet long, be accessible and suitable for overnight use, and be accessible and available to any commercial truck authorized to be on the port property. The exemption is available until one year after the Secretary of Transportation certifies that the state has sufficient safe, overnight commercial truck parking or January 1, 2033, whichever is sooner.

In addition, a leasehold tax exemption is available to port tenants who provide qualified port district truck parking spaces.

A tax preference performance statement provides that the tax preference is intended to increase safe overnight truck parking capacity. It is the Legislature's specific public policy objective to increase public safety, reduce greenhouse gas emissions, and foster economic development by increasing the state's capacity to move freight efficiently.

The Legislature intends to extend the tax preferences if a JLARC review finds that both the number of overnight truck parking spaces has increased by at least 1,000 spaces since the effective date of this act, and half of the new overnight truck parking spaces have either hydrogen fueling access or electric charging access.

Appropriation: None.

Fiscal Note: Requested on January 10, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.