

HOUSE BILL REPORT

HB 2894

As Reported By House Committee On: Appropriations

Title: An act relating to the reallocation of motor vehicle excise tax and general fund resources for the purpose of providing transportation funding, local criminal justice funding, and tax reduction.

Brief Description: Reallocating motor vehicle excise tax and general fund resources for the purpose of transportation and local criminal justice funding and tax reduction.

Sponsors: Representatives Huff, K. Schmidt, Robertson, Lisk, Carrell, Mastin, Sehlin, Dyer, Mitchell, Pennington, Talcott, Lambert, Buck, D. Schmidt, L. Thomas, Benson, Clements, Skinner, Ballasiotes, Delvin, Parlette, Cooke, Hickel, B. Thomas, Johnson, DeBolt, Hankins, Cairnes, Crouse, Wensman, Mielke, Sherstad, Honeyford, McCune, Koster, Dunn, McDonald, Reams, Sheahan, Sterk, Schoesler, D. Sommers, Bush, Chandler, McMorris, Boldt, Backlund, Mulliken, Van Luven, Radcliff, Alexander, Zellinsky and Thompson.

Brief History:

Committee Activity:

Appropriations: 1/26/98, 1/27/98 [DPA].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 18 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Benson; Carlson; Cooke; Crouse; Dyer; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 13 members: Representatives H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Chopp; Cody; Grant; Keiser; Kenney; Kessler; Linville; Poulsen; Regala and Tokuda.

Staff: Victor Moore (786-7143).

Background: The state imposes an excise tax for the privilege of using a motor vehicle on the highways of the state. The tax is levied annually on the value of the vehicle. For all trucks over 6,000 pounds, the value is determined by the sales price. For all other

vehicles, the value is determined by the base manufacturer's suggested retail price (MSRP). These values are reduced each year according to a statutory schedule. For vehicles other than trucks under 6,000 pounds, the value remains at 100 percent in the second year of service after which it is reduced by 8 or 9 percent of the MSRP each year until the value is 10 percent.

The rate for motor vehicles and log trucks is 2.2 percent, consisting of a basic rate of 2.0 percent and a surtax of 0.2 percent. In addition, a clean air excise tax of \$2.00 is imposed. The tax for truck-type power units used in combination with trailers for loads over 40,000 pounds, unless to haul logs, is subject to an additional surtax of 0.58 percent for a total rate of 2.78 percent. The trailer is exempt.

The tax is in lieu of personal property taxes on motor vehicles. The tax does not apply to rental cars which instead are subject to an additional sales tax on each rental or to mobile homes, travel trailers, and campers which instead are subject to a separate tax of 1.1 percent.

The revenues generated by the motor vehicle excise tax are deposited into various accounts for various purposes. Revenues remaining after all of these distributions are retained in the state general fund and are subject to appropriation for general governmental purposes.

Of the basic 2.0 percent rate, 5.9686 percent is deposited into the county criminal justice assistance account and 2.3874 percent, in two equal parts of 1.1937 percent, is deposited into the municipal criminal justice assistance account for local criminal justice purposes. Deposits into these accounts are limited to the previous year's deposit increased by the implicit price deflator. The excess is deposited into the violence reduction and drug enforcement account.

Local transit agencies are authorized to levy a motor vehicle excise tax of up to 0.725 percent which is credited against the state tax. The revenues generated by the local tax are distributed to the local transit agencies to the extent the agencies match the tax revenues with revenues from other sources. The difference between the amount the transit agencies match and a hypothetical local rate of 0.815 percent is deposited in four transit accounts and the transportation fund.

Under Initiative 601, the annual growth in general fund expenditures is limited to the average rate of inflation and population increase of the prior three fiscal years. The limit is lowered if moneys are transferred from the general fund to another fund or account. In addition, Initiative 601 requires the Legislature to fully reimburse local governments by appropriation for the cost of new programs that the Legislature may impose.

Summary of Amended Bill: A portion equal to 46 percent of MVET revenues that previously were deposited into the general fund is deposited into the motor vehicle fund beginning January 1, 1999.

The county criminal justice assistance account and the municipal criminal justice assistance account are funded by general fund revenues beginning in fiscal year 2000. For fiscal year 2000, \$46.6 million is deposited into the county criminal justice assistance account from general fund revenues and \$18.6 million is deposited into the municipal criminal justice assistance account from general fund revenues. This is 10 percent more than the amount of MVET revenues that would otherwise have been deposited into the accounts. These amounts are increased each year thereafter by the fiscal growth factor established by Initiative 601.

The deposit into the drug enforcement and violence reduction account from MVET revenues is replaced with general fund revenues beginning in fiscal year 2000. For fiscal year 2000, \$8.4 million is deposited into the account from general fund revenues. This is 10 percent more than the amount of MVET revenues that would have been deposited into the account. The amount is increased each year thereafter by the fiscal growth factor established by Initiative 601.

A credit is authorized against the MVET for personal use vehicles equal to the lesser of \$40 or the amount of tax, effective with July 1999 license renewals. Personal use vehicles are passenger cars, trucks under 6,000 pounds, and motorcycles that are owned by individuals and not by business. The credit is financed from MVET revenues that previously were deposited into the general fund, county criminal justice assistance account, and the municipal criminal justice assistance account.

The depreciation schedule for vehicles other than trucks under 6,000 pounds is modified to begin the depreciation in the second year of service.

The MVET is simplified. The basic 2.0 percent MVET tax rate and the 0.2 percent surtax rate are incorporated into one rate. Percentage distributions are changed to reflect the larger tax base. In addition, distributions to transit agencies are provided from the transportation fund rather than the general fund, and the percentage deposited into the transportation fund is increased to reflect this change.

The basic 1.0 percent travel trailer and camper tax rate and the 0.1 percent surtax rate are incorporated into one rate.

Initiative 601 is re-enacted and re-affirmed. No amendment may be made to the initiative without a two-thirds vote of each house of the Legislature or a vote of the people. The reallocation of revenues under the bill does not affect the calculation of the Initiative 601 expenditure limit. Certain sections of the bill are referred to the people for their approval or rejection at the next general election.

Amended Bill Compared to Original Bill: Technical corrections are made.

Appropriation: None.

Fiscal Note: Requested on January 22, 1998.

Effective Date of Amended Bill: Sections 1 through 12, 28, and 29 take effect January 1, 1999, if approved by the voters at the November 1999 general election. The remainder of the bill takes effect January 1, 1999, if sections 1 through 12, 28, and 29 of the act are approved by the voters.

Testimony For: This bill is an appropriate use of surplus revenues to address transportation needs. It is a good start to addressing transportation needs and will begin to relieve congestion. Additional funding for local criminal justice is needed.

Testimony Against: This bill is not a long-term solution for transportation needs. It increases the state's indebtedness and reduces the amount of money for transit districts. It does not provide for local government transportation needs and more money is needed for local criminal justice. There are concerns about the long-term impact on the general fund. The gas tax is a better way to fund transportation programs.

Testified: Representative Tom Huff, prime sponsor; Paul W. Locke, citizen; Al Brotche, WA State Auditors Association; Randy Ray, Puget Sound Steamship Operators Association; Duke Schaub, Association of General Contractors of WA; Bob Edwards, city of Renton; Pat Notter, city of Wenatchee; and Rick Wickman, Association of Washington Businesses (all in favor). Jeff Johnson, WA State Labor Council; Bill Hochberg, Coalition for a Jewish Voice; and John Marshall, citizen (all opposed). Tom McBride, WA Association of Prosecuting Attorneys; and Larry Erickson, WA Association of Sheriffs and Police Chiefs (in favor with amendment). Lynn McKinnon, WA Public Employees Association; Joyce Olson, Community Transit; Dan Snow, WA State Transit Association; Michael Shaw and Commissioner Judy Wilson, WA State Association of Counties (all with concerns).