

# HOUSE BILL REPORT

## HB 1871

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**As Reported By House Committee On:**  
Transportation

**Title:** An act relating to tax equalization for transit systems imposing a utility tax.

**Brief Description:** Providing equalization for transit systems imposing an utility tax.

**Sponsors:** Representatives Sheahan and Schoesler.

**Brief History:**

**Committee Activity:**

Transportation: 2/13/95, 2/21/95 [DPS].

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives K. Schmidt, Chairman; Benton, Vice Chairman; Mitchell, Vice Chairman; Skinner, Vice Chairman; R. Fisher, Ranking Minority Member; Hatfield, Assistant Ranking Minority Member; Backlund; Blanton; Brown; Buck; Cairnes; Chandler; Chopp; Elliot; Hankins; Horn; Johnson; Koster; McMahan; Ogden; Patterson; Quall; Robertson; Romero; D. Schmidt; Scott and Tokuda.

**Staff:** Roger Horn (786-7839).

**Background:** Transit agencies are authorized to impose, with voter approval, a sales and use tax of up to 0.6 percent, a business and occupation tax with a rate set by the agency, or a household/utility tax of up to \$1 per month per housing unit. Of the 24 transit agencies in the state, 22 collect sales and use tax of from 0.1 percent to 0.6 percent. Of the other agencies, Pullman Transit collects a utility tax of 2.0 percent and Prosser Rural Transit collects a \$1-per-month household tax and a 6.0 percent business and occupation tax on gross business receipts. Only \$49,000 of Prosser's receipts from these taxes are allocated to transit with the remainder allocated to the city's general fund.

Substitute House Bill 2760, passed in 1994, authorized sales and use tax equalization payments to transit agencies whose average per capita transit sales and use tax collections in the preceding calendar year were less than 80 percent of the statewide per capita average sales and use tax collections for that period. Transit equalization

payments will begin in calendar year 1996 and are available only to agencies collecting the transit sales and use tax. Equalization payments may not exceed 50 percent of a transit agency's sales and use tax collections for the previous year.

Transit sales and use tax equalization is paid from motor vehicle excise tax receipts that would otherwise be available for appropriation from the transportation fund.

**Summary of Substitute Bill:** Transit agencies imposing the household/utility tax for transit or the business and occupation tax for transit are eligible for transit sales and use tax equalization payments. The equalization payments are based on a local transit tax rate. This rate is equivalent to the sales and use tax rate that would have generated the same amount of revenue in the previous year as the local transit taxes in place during that period.

This bill is null and void if not funded in the transportation budget.

**Substitute Bill Compared to Original Bill:** A null and void clause is provided.

**Appropriation:** None.

**Fiscal Note:** Requested on February 8, 1995.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the transportation budget.

**Testimony For:** Transit agencies should not be denied sales and use tax equalization payments because they choose a transit tax option other than the sales and use tax. Pullman Transit employs a utility tax instead of a sales tax because of its proximity to the Idaho border. Equalization revenue is needed to fund transit system operating needs and expansion.

**Testimony Against:** None.

**Testified:** Mayor Al Halvorson, city of Pullman; Jim Hudak, Pullman Transit System; Dan Snow, Washington State Transit Association; and Craig Olson, Association of Washington Cities.