

HOUSE BILL REPORT

SB 6294

As Reported By House Committee On:
Appropriations

Title: An act relating to the distribution of motor vehicle excise taxes to cities.

Brief Description: Increasing a distribution of motor vehicle excise taxes to cities.

Sponsors: Senators Bauer and Prince.

Brief History:

Committee Activity:

Appropriations: 2/22/96, 2/24/96 [DP].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 26 members: Representatives Huff, Chairman; Clements, Vice Chairman; Pelesky, Vice Chairman; H. Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Brumsickle; Carlson; Cooke; Crouse; Dyer; Foreman; Grant; Hickel; Kessler; Lambert; Linville; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Silver; Smith; Talcott and Wolfe.

Staff: Jim Lux (786-7152).

Background: In 1982, 35 percent of the state motor vehicle excise tax (MVET) that was distributed to cities based on population for health and public safety was diverted to an account for city sales and use tax equalization. The agreement was that cities not imposing the second one-half cent sales tax would get their contribution back. This is the first distribution under city sales and use tax equalization. This distribution is equal to 35/65 of the population distribution.

Under city sales and use tax equalization, cities that impose the sales and use tax are eligible to receive moneys that, when added to their previous year's per capita sales and use tax revenues, equal 70 percent of the statewide average. The distribution is doubled if the city is imposing the second one-half cent sales tax. If any moneys remain after these distributions, the excess is distributed to cities imposing the second one-half cent sales tax based on population.

In 1993 under health care reform, one-third of the MVET that was distributed to cities based on population for health and public safety was diverted to county public

health departments, and the cities were relieved of the obligation to fund these services, effective July 1, 1995. The first sales and use tax equalization distribution to cities not imposing the second one-half cent sales tax was not considered. Because the population distribution was reduced by one-third, the first sales and use tax equalization distribution to cities not imposing the second one-half cent sales tax, which is based on the population distribution (35/65), was inadvertently reduced.

Summary of Bill: The first city sales and use tax equalization distribution to cities not imposing the second one-half cent sales tax is increased to 45/55 of the population distribution.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This legislation is necessary to correct an oversight resulting from the 1993 distribution change in motor vehicle excise taxes between cities and counties for local public health. The 2.95 percent shift from cities to counties reduced the base upon which the City Sales and Use Tax Equalization Account calculation was made. The unintended consequence would have been a reduced balance in the City Sales and Use Tax Equalization Account available for distribution to border cities (cities that have not imposed the second one-half of one percent optional sales tax). The increase in the multiplier applied against the base is increased in this legislation and will hold affected cities harmless.

Testimony Against: None.

Testified: Stan Finkelstein, Association of Washington Cities.