

# SENATE BILL REPORT

## SHB 1871

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As Reported By Senate Committee On:  
Transportation, March 23, 1995

**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:** House Committee on Transportation (originally sponsored by Representatives Sheahan and Schoesler).

**Brief History:**

**Committee Activity:** Transportation: 3/23/95 [DPA].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended.

Signed by Senators Owen, Chair; Haugen, Kohl, Morton, Prentice, Prince, Rasmussen, Schow, Sellar and Wood.

**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.

In 1994, the Legislature 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 Amended 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.

**Amended Bill Compared to Substitute Bill:** The substitute bill contains a provision precluding transit agencies that lower the local transit tax rate from receiving equalization payments. Because of the methodology used to determine the local transit tax rate, the rate may decrease independent of any action by the transit agency. The amended bill clarifies that the provision applies only if the rate declines as a result of a tax change implemented by the transit agency.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**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:** Representative Larry Sheahan, prime sponsor; Dan Snow, Washington State Transit Association (read supporting letter from Mayor Al Halverson, City of Pullman, into record).