

HOUSE BILL REPORT

ESSB 6050

As Reported By House Committee On:

Finance

Title: An act relating to tax exemptions for state route number 16 corridor improvements constructed under chapter 47.46 RCW.

Brief Description: Providing tax exemptions for state route number 16 corridor improvements constructed under chapter 47.46 RCW.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Oke).

Brief History:

Committee Activity:

Finance: 3/2/98 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Conway; Kastama; Morris; Pennington and Thompson.

Minority Report: Do not pass. Signed by 6 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Mason and Schoesler.

Staff: Rick Peterson (786-7150).

Background: Public-Private Initiatives in Transportation (Chapter 47.46 RCW) is a program created by the 1993 Legislature to test the feasibility of privately financed transportation improvements in Washington state. The law provides a wide range of opportunities for private entities to undertake all or a portion of the study, planning, design, finance, construction, operation and maintenance of transportation systems and facilities.

The state Department of Transportation (DOT) is authorized to solicit proposals from the private sector and to select up to six demonstration projects identified by the private sector. Projects are owned by the private sector during construction, turned over to the state, and leased back for operation for up to 50 years. The private developer is

authorized to impose tolls or user fees to recover the private sector's investments and to allow them a reasonable rate of return on investment.

In May 1994, 14 proposals from 11 private sector consortia were received by the DOT. At the end of the evaluation process, the Transportation Commission adopted the Tacoma Narrows State Route 16 corridor improvements as one of the demonstration projects.

The leasehold excise tax is an annual tax levied on private users of publicly-owned real or personal property. The tax is imposed at a rate of 12.84 percent of the annual contract rent paid by the user. The revenue from this tax is distributed to the general fund and the city or county in which the property is located.

Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending upon location.

Summary of Bill: The state and local sales tax on state route 16 corridor construction under the Public-Private Initiatives in Transportation (Chapter 47.46 RCW) is deferred for five years to be repaid over the following 5 years.

All leasehold interests in the state route 16 corridor improvements project are exempt from the leasehold excise tax.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: None.