

HOUSE BILL REPORT

SB 6036

As Reported by House Committee On:
Transportation

Title: An act relating to local motor vehicle excise taxes.

Brief Description: Repealing local motor vehicle taxes.

Sponsors: Senators Eide, Benton, Winsley, Oke, Long, Stevens, Johnson, Finkbeiner, Hale, Hochstatter, Carlson, Swecker, Rossi, Roach, T. Sheldon, Patterson and Kastama.

Brief History:

Committee Activity:

Transportation: 2/21/02 [DP].

Brief Summary of Bill

- Repeals the local transit motor vehicle excise tax statute and all other statutes related to expenditure of money generated by that statute.
- Applies retroactively to January 1, 2000.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 18 members: Representatives Lovick, Vice Chair; Mitchell, Ranking Minority Member; Anderson, Armstrong, Edwards, Ericksen, Hankins, Hatfield, Holmquist, Jackley, Jarrett, Mielke, Morell, Schindler, Simpson, Skinner, Wood and Woods.

Minority Report: Without recommendation. Signed by 7 members: Representatives Fisher, Chair; Haigh, Murray, Ogden, Reardon, Rockefeller and Romero.

Staff: Paul Neal (786-7315).

Background:

RCW 35.58.273 authorizes local transit agencies to impose a motor vehicle excise tax (MVET) of up to 0.725 percent. The tax rate was credited against the statewide MVET. In November 1999 Initiative 695 passed, repealing the statewide MVET and imposing a \$30 license tab. The initiative repealed 44 sections of law. It did not, however, repeal

the local transit MVET statute, RCW 35.58.273.

In late 1999 the state Attorney General's Office concluded that I-695 impliedly repealed RCW 35.58.273. The Attorney General reasoned in part that because the local tax was a credit against a tax that no longer existed, the local tax itself similarly ceased to exist. Accordingly, as of January 1, 2000, state and local agencies ceased collection of the tax.

The Washington Supreme Court subsequently declared Initiative 695 unconstitutional. In response, the Legislature passed SB 6865 during the 2000 legislative session. SB 6865 repealed the MVET and imposed a \$30 license tab fee. It also repealed eight sections of the law. Again, RCW 35.58.273 was not included among those sections.

On February 14, 2002, the supreme court issued a decision in *ATU Legislative Council of Washington State and Washington State Transit Association v. State of Washington and 26 Counties and Their Auditors*. The court upheld a lower court ruling that the local transit MVET was neither expressly nor impliedly repealed by SB 6865. The local transit MVET is, therefore, still in effect. The state, through the Department of Licensing, is responsible for collecting the tax. It is unclear at this time whether the tax would have to be collected retroactively.

Summary of Bill:

The local transit MVET statute, RCW 35.58.273, and all other statutes regarding the expenditure of money generated by that statute are repealed. The bill applies retroactively to January 1, 2000.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: Pursuant to Initiative 695, transit funds were cut by an average of 42 percent. The Legislature should enable transit to assist with congestion relief. Without the funds this tax would provide, some transit systems will be forced to cut their services substantially. Preserving the tax as a local option tax subject to voter approval would be an acceptable option.

Testified: Jim Fitzgerald, Amalgamated Transit Union Legislative Council; Dan Snow, Mike Harbour, and Peter Thein, Washington State Transit Association.

