

# SENATE BILL REPORT

## SI 976

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As of February 26, 2019

**Title:** .

**Brief Description:** Limiting state and local taxes, fees, and other charges relating to vehicles.

**Sponsors:** People of the State of Washington.

**Brief History:**

**Committee Activity:** Transportation: 2/26/19.

### Brief Summary of Bill

- Repeals motor vehicle and light duty truck weight fees and the 0.3 percent sales tax on vehicle purchases.
- Lowers other state imposed vehicle related fees, including those on electric vehicles, motorhomes, commercial trailers, and snowmobiles.
- Modifies and reduces the Sound Transit Motor Vehicle Excise Tax provisions.
- Removes authority for Transportation Benefit Districts to impose a vehicle fee.

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Bryon Moore (786-7726)

**Background:** Registration and Vehicle Weight Fees. Motor vehicles used on public highways must generally be registered annually with the Department of Licensing (DOL). Most vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, are subject to: (1) a \$30 annual registration fee; (2) an annual weight fee of \$25 to \$72 based on the scale weight of the vehicle; and (3) other fees totaling \$8.75. There are also fees and charges based on where the vehicle is registered geographically and whether the vehicle qualifies for a fee based on vehicle type (such as electric vehicles and motor homes).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The majority of the proceeds from vehicle weight fees are deposited in the Multimodal Transportation Account. Funds in the account are used for transportation purposes, which is broader than highway purposes and can include public transportation and rail.

Beginning July 1, 2022, an additional \$10 per year weight fee is added and will be deposited into the Multimodal Transportation Account, unless prior to July 1, 2023, a state clean fuel standard policy is initiated or implemented, in which case the weight fee is deposited into the Connecting Washington Account.

License Fee by Weight for Light Duty Trucks. In lieu of the vehicle license fee and weight fees, trucks, including light duty trucks, are subject to a license fee based on gross vehicle weight. For light duty trucks, which are those trucks under 10,000 pounds, the current annual license fees by weight range from \$53 to \$93.

Beginning July 1, 2022, an additional \$10 per year fee is added on vehicles with a gross vehicle weight of less than or equal to 12,000, which is distributed to various accounts within the Motor Vehicle Fund, consistent with the distributing of other license fees by weight.

Commercial Trailer Registration Fee. A commercial trailer is a trailer that is principally used to transport commodities, merchandise, produce, freight, or animals. The initial registration fee for a commercial trailer is \$34, and the registration renewal fee for a commercial trailer is \$30 per year. Prior to 2010, when a reorganization of registration statutes occurred, the annual fees for an initial and renewal commercial trailer registration were each \$34. Commercial trailer registration fees are deposited into a variety of transportation accounts.

Snowmobile Registration Fee. A snowmobile is a self-propelled vehicle capable of traveling over snow and ice. An owner must register a snowmobile with DOL before operating it and pay a \$50 annual registration fee. Upon receipt of payment, DOL will issue the applicant a decal, which must be affixed to the right or left side of the snowmobile below the windshield. The decal serves the same function as a license plate for on-road vehicles within Washington. Snowmobile registration fees are deposited into the Snowmobile Account to be used for the operation and maintenance of snowmobile facilities and for the implementation of snowmobile safety, enforcement, and education programs.

Motor Home Vehicle Weight Fee. A motor home is a motor vehicle originally designed, reconstructed, or permanently altered to provide facilities for human habitation. A person applying for a motor home vehicle registration must, in lieu of the motor vehicle weight fee, pay a motor home vehicle weight fee of \$75 per year in addition to all other fees and taxes required by law. The motor home vehicle weight fee is deposited into the Freight Mobility Multimodal Account and Multimodal Transportation Account.

Electric Vehicle Fee. In addition to any other fees due at annual vehicle registration renewal, vehicles that are powered by electricity are subject to two electric vehicle fees that total \$150. The first fee is \$100 and is deposited into the Motor Vehicle Fund up to \$1 million annually. If in any year the amount collected exceeds \$1 million, the excess amount is distributed as follows: (1) 70 percent to the Motor Vehicle Fund; (2) 15 percent to the Transportation Improvement Account; and (3) 15 percent to the Rural Arterial Trust Account. The second fee is \$50 and is distributed as follows: (1) the first \$1 million raised by the fee must be

deposited into the Multimodal Transportation Account; and (2) any remaining amounts must be deposited into the Motor Vehicle Fund. The \$1 million threshold was reached in November 2017, and fee revenues from the \$50 fee are currently deposited into the Motor Vehicle Fund.

Sales and Use Tax on Vehicles. The current sales tax rate for the state of Washington is 6.5 percent. An additional 0.3 percent sales tax on vehicle purchases was enacted in 2003. Revenue generated from the 0.3 percent sales tax on vehicles is deposited into the Multimodal Transportation Account.

Transportation Benefit District Vehicle Fees. A Transportation Benefit District (TBD) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the TBD. A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. A TBD has independent taxing authority to implement the various revenue measures with voter approval.

A TBD may impose a vehicle fee of: (1) up to \$20 annually with a majority vote of the governing body; (2) up to \$40 upon a majority vote of the governing body if a \$20 fee has been in effect for at least 24 months; (3) up to \$50 upon a majority vote of the governing body if a \$40 fee has been in effect for at least 24 months. Any license fees over these amounts, up to \$100, must be approved by a simple majority of voters.

Local Motor Vehicle Excise Tax for Passenger Ferry Service. Public Transportation Benefit Areas (PTBAs) with a boundary on the Puget Sound, not including an area where a Regional Transit Authority (RTA) has been formed, may submit a proposition to the voters for the imposition of a motor vehicle excise tax (MVET) of up to 0.4 percent solely for the purpose of providing passenger-only ferry service. Currently, no PTBA imposes this local option MVET.

Regional Transit Authorities. An RTA is authorized to use its tax revenues to plan, construct, and operate high-capacity transportation, such as express bus service and light rail. There is currently one RTA—Sound Transit—which operates light rail, commuter rail, and express bus service in Puget Sound. Sound Transit currently imposes the following voter-approved taxes: (1) 1.4 percent sales and use tax; (2) a 1.1 percent MVET; (3) an annual \$0.25 per \$1,000 of assessed value property tax; and (4) a rental car sales tax of 0.8 percent.

Motor Vehicle Excise Tax. An MVET is a tax paid on the value of a motor vehicle. Voter-approved Initiative 695 (2000) and Initiative 776 (2003) repealed statewide and local MVETs. Both initiatives were eventually ruled unconstitutional in whole or in part, however the Legislature repealed the statewide MVET in 2000. However, certain local MVETs were retained in law. Sound Transit is the only local agency currently imposing an MVET to develop and operate a high capacity transit system.

Until 1990, vehicle valuation was determined by agency rules. In 1990, the Legislature adopted statutory valuation schedules to simplify MVET administration. Under the 1990

change, the tax base is the manufacturer's base suggested retail price (MSRP) when the vehicle is first offered for sale, multiplied by a depreciation schedule.

The following vehicle valuation schedule for passenger cars and trucks is currently used by DOL and Sound Transit:

**MVET Valuation Schedule Currently in Use**

<b>Year</b>	<b>Schedule 1*</b>	<b>Schedule 2**</b>
1	100%	100%
2	95%	90%
3	89%	83%
4	83%	75%
5	74%	67%
6	65%	59%
7	57%	52%
8	48%	44%
9	40%	36%
10	31%	28%
11	22%	21%
12	14%	13%
13 or older	10%	10%

\*Schedule 1: Passenger vehicles, motorcycles, light-duty trucks, and small trailers. Base MSRP is used in the valuation.

\*\*Schedule 2: Certain trucks with scale weight of over 6001 pounds.

The 2005 Transportation Budget directed the Joint Transportation Committee (JTC) to study the feasibility of developing a uniform MVET depreciation schedule that would more accurately reflect vehicle value and not hinder existing debt obligations. As a result of the study, the Legislature passed SSB 6247 (2006) which enacted a new valuation schedule. This vehicle valuation schedule is currently provided in statute.

**2006 Valuation Schedule**

<b>Year</b>	<b>Schedule A*</b>	<b>Schedule B**</b>
1	100%	100%
2	81%	81%
3	67%	72%
4	55%	63%
5	45%	55%
6	37%	47%
7	30%	41%
8	25%	36%
9	20%	32%
10	16%	27%

11	13%	26%
12	11%	24%
13	9%	23%
14	7%	21%
15	3%	16%
16 or older	0%	10%

\*Schedule A: Heavy and medium trucks whose empty scale weights exceed 6000 pounds, including commercial and log use trucks. Valuation represents the average, annual national market depreciation for all vehicles in the class. The same method as provided in Schedule 2, MVET Valuation Schedule Currently in Use, is used.

\*\* Schedule B: All other vehicles. The valuation represents average, annual western-region market depreciation for passenger vehicles and light trucks.

Base vehicle valuation is defined at 85 percent of MSRP for all taxable vehicle use classes other than heavy and medium trucks. Base value for heavy and medium trucks is defined by latest purchase price (Schedule A).

Current Regional Transit Authority Motor Vehicle Excise Tax. In 2015, the Legislature passed an omnibus transportation revenue bill that included authority for an RTA to increase their MVET collection by 0.8 percent with voter approval. The MVET authority provided in the revenue bill specified that the vehicle valuation method for collection of the 0.8 percent MVET would be the MVET schedule as it was listed in statute in January 1996, until bonds issued against the original 0.3 percent MVET have been paid off. Bonds issued against the original 0.3 percent MVET are currently anticipated to be paid off in 2028, at which point the 0.3 percent MVET will cease being collected. MVET that is collected after December 31 in the year the 0.3 percent MVET bond debt is retired must use the valuation schedule enacted in 2006.

Kelley Blue Book. Kelley Blue Book is an Irvine, California based vehicle valuation and automotive research company that reports market value prices for new and used automobiles of all types, as well as motorcycles.

Department of Licensing. To collect an MVET, a local government, which includes Sound Transit, must contract with DOL for the collection of the tax. DOL may charge a reasonable amount for administration costs.

**Summary of Bill:** Vehicle Weight Fees. The annual fees of \$25 to \$72 based on the scale weight of motor vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, are repealed. The \$10 annual fee increase scheduled to go into effect July 1, 2022, is also repealed.

License Fee by Weight for Light Duty Trucks. The annual weight fees for light duty trucks are lowered to \$30.

Weight Class	Current Fee	Proposed Fee
4,000 lbs. or less	\$53	\$30

4,001 – 6,000 lbs.	\$73	\$30
6,001 – 8,000 lbs.	\$93	\$30
8,001 – 10,000 lbs.	\$93	\$30

The \$10 annual fee increase on light duty trucks scheduled to go into effect on July, 1, 2022 is not impacted by the initiative.

Commercial Trailer Registration Fee. The initial registration fee for commercial trailers is lowered from \$34 to \$30. The renewal registration fee remains at \$30.

Snowmobile Registration Fee. The initial and renewal registration fees for snowmobiles are lowered from \$50 to \$30.

Motor Home Vehicle Weight Fee. The annual motor home vehicle weight fee of \$75 is repealed.

Electric Vehicle Fee. The \$100 annual electric vehicle renewal fee is lowered to \$30. The \$50 annual fee is eliminated. Therefore, the additional renewal fee required for electric vehicles is effectively lowered from \$150 to \$30 per year.

Sales and Use Tax on Vehicles. The additional 0.3 percent sales tax on vehicles enacted in 2003 is repealed.

Transportation Benefit District Vehicle Fees. The authority for Transportation Benefit District to impose a vehicle fee is repealed.

Local Motor Vehicle Excise Tax for Passenger Ferry Service. The authority of PTBAs with a boundary on the Puget Sound, to impose an MVET of up to 0.4 percent, is repealed.

Vehicle Valuation & Motor Vehicle Excise Tax. The authority of Sound Transit to impose a MVET of 0.8 percent is conditionally repealed. The current vehicle valuation schedule for purposes of determining the MVET is conditionally repealed. The value of a vehicle for purposes of collecting an MVET and appealing vehicle valuation must be based on the Kelley Blue Book value.

Retirement of Sound Transit Debt. To ensure the MVET is no longer imposed or collected, Sound Transit is directed to pay off any outstanding bonds issued with MVET as a pledged revenue source and if the contractual terms allow for early payment or refinancing.

Contingent Effective Date Provisions. At the time Sound Transit pays off all outstanding MVET pledged to bond repayment, the authority to levy an MVET and the current vehicle valuation schedule are repealed. If this has not occurred by March 31, 2020, the authority of Sound Transit to impose a MVET is lowered from 0.8 percent to 0.2 percent.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members: No.**