

SENATE BILL REPORT

SB 5960

As of February 27, 1995

Title: An act relating to the motor vehicle excise tax.

Brief Description: Changing motor vehicle excise tax provisions.

Sponsors: Senator Sutherland.

Brief History:

Committee Activity: Transportation: 3/1/95.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Jeff Doyle (786-7322)

Background: A motor vehicle excise tax (MVET) is imposed on motor vehicles in this state. The basic tax rate is 2 percent of the value of the vehicle. For passenger type vehicles (cars and light trucks), the vehicle's value is determined according to the manufacturer's suggested retail price (MSRP), with adjustments made for depreciation according to a depreciation schedule.

For non-passenger type vehicles (heavy trucks, truck-trailer combos, etc.), vehicle value is determined according to the actual purchase price. A separate depreciation schedule is used for these primarily commercial type vehicles.

Revenue raised by MVET is distributed to cities and counties (21 percent); transit districts (25 percent); ferries (11 percent); the transportation fund (16 percent); HOV/transit/rail projects (2 percent); and administration (1 percent). The remaining 24 percent is deposited in the state general fund to be used for general government purposes. For the 1995-97 biennium, approximately \$300 million is projected to flow into the general fund.

The general fund currently has a surplus of revenue that cannot be spent after July 1, 1995. Current revenue projections indicate that the general fund will continue to collect surplus revenues.

Summary of Bill: The basic MVET rate of 2.0 percent is reduced to 1/45 percent of passenger type vehicles, including light trucks. This is equal to a 25 percent tax cut on the MVET paid by owners of passenger type vehicles. The basic rate for heavy and commercial type trucks remains 2.0 percent.

MVET revenues distributed to the state general fund is reduced from about \$300 million to about \$10.2 million. All other funds continue to receive the same amount of revenue as before the tax cut.

Appropriation: None.

Fiscal Note: Not requested.

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