

# HOUSE BILL REPORT

## HB 3051

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to sales and use tax on transportation projects.

**Brief Description:** Concerning sales and use tax on transportation projects.

**Sponsors:** Representatives Seaquist, Lantz, Clibborn, Hunter, Liias, Rolfes and Green.

**Brief History:**

**Committee Activity:**

Finance: 2/1/08, 2/12/08 [DPS].

**Brief Summary of Substitute Bill**

- Requires state sales and use tax revenue on the construction of certain transportation projects to be transferred back to the projects to reduce their cost.
- Changes the sales and use tax deferral for the Tacoma Narrows Bridge project to a permanent exemption for the state portion.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire, Roach and Santos.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member.

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services, including state construction projects. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not

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collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

After five years in design and construction, the new Tacoma Narrows Bridge opened to traffic on July 16, 2007. It was built parallel to, and south of, the 1950 Narrows Bridge, and carries four 11-foot-wide lanes of eastbound traffic toward Tacoma. The left lane is a high occupancy vehicle (HOV) lane, the two center lanes are general purpose lanes open to all traffic, and the right lane is an "add/drop" lane that extends across the bridge to the Jackson Avenue eastbound exit.

The Tacoma Narrows Bridge toll project currently has a sales and use tax deferral for all state and local sales and use taxes. The taxes are deferred for five years from the date tolling commenced, which occurred on July 16, 2007. In 2012, repayment of all state and local deferred taxes will begin. Taxes are payable in 10 annual installments.

A city, town, or county may establish a transportation benefit district for the purpose of acquiring, constructing, and funding a transportation improvement within the district. Transportation improvement is specifically defined to mean a project contained in the transportation plan of the state or a regional transportation planning organization. With voter approval, a district may impose a sales and use tax, a one year excess property tax levy, tolls, and other fees to fund the transportation improvement.

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### **Summary of Substitute Bill:**

State sales and use taxes imposed on the Tacoma Narrows Bridge project for which a deferral has been granted do not need to be repaid. Local sales and use taxes remain deferred until 2012.

When 50 percent or more of the cost of a transportation project, or more than \$1 billion, will be paid or recovered through tolls, state sales and use taxes on the initial construction of the project must be transferred to the tolling account of the project. These revenue transfers must be used to reduce the overall cost of the project.

When 50 percent or more of the cost of the transportation project, or more than \$1 billion, will be provided through taxes, fees, charges or tolls levied by a transportation benefit district, state sales and use taxes on the initial construction of the project must be transferred to the district. These revenue transfers must be used to reduce the overall cost of the project.

State sales and use taxes on the initial construction of a highway of statewide significance constructed by a transportation benefit district must be transferred to the highway project. These revenue transfers must be used to reduce the overall cost of the project. The transfer of taxes is required only when the highway is located in a county with a population greater than 400,000 and the county borders another state.

A revenue transfer to a tolling account or transportation benefit district will not lower the state expenditure limit.

**Substitute Bill Compared to Original Bill:**

Allows the north-south freeway in Spokane to receive state sales tax on construction. Allows a transportation benefit district to impose the 0.2 percent sales tax for more than 10 years (currently limited to 10 years). Clarifies that a series of component projects are considered a transportation project for the transfer of taxes. Clarifies that transfers of sales taxes do not apply to the Tacoma Narrows Bridge project.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill addresses the tax inequity in toll projects. When tolls include sales tax, toll-payers are not just paying for the cost of the transportation project, but are also contributing to the state's General Fund.

(Opposed) None.

**Persons Testifying:** Representative Seaquist, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.