

SENATE BILL REPORT

SB 5564

As of February 9, 2017

Title: An act relating to vehicle taxation.

Brief Description: Concerning vehicle taxation.

Sponsors: Senators Fortunato, King, O'Ban and Hawkins.

Brief History:

Committee Activity: Transportation: 2/06/17.

Brief Summary of Bill

- Directs the sales tax on vehicles to be deposited into the Motor Vehicle fund over a period of ten years.
- Repeals the motor vehicle fuel tax after the revenue from the sales tax meet or exceed that of the fuel tax.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Kellee Keegan (786-7429)

Background: Since 1921, the state of Washington has levied a motor vehicle fuel tax (MVFT). The current state MVFT is \$0.494 per gallon and is distributed amongst state highway programs, the state ferry system, and local governments. The state highway programs include revenue packages, such as the 2003 Transportation Nickel package, the 2005 Transportation Partnership, and the Connecting Washington package that the Legislature passed in 2015. The current distribution of the \$0.494 MVFT per gallon is as follows:

- \$0.119 to the Connecting Washington account;
- \$0.1021 to the Motor Vehicle fund;
- \$0.085 to the Transportation Partnership account;
- \$0.05 to the 2003 Transportation Nickel account;
- \$0.0492 for distribution to counties;
- \$0.0304 for distribution to cities;
- \$0.0108 for ferries;
- \$0.0103 to the County Road Administration Board; and

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- \$0.0075 cents deposited into the Motor Vehicle fund for high-cost highway projects. Revenues from the MVFT are bonded through the Office of the State Treasurer. The bonded MVFT and licensing fees are provided an exemption from the state debt limit in the state constitution. The federal government levies an \$0.184 gas tax.

The state of Washington also imposes a sales tax. The current sales tax rate for the state of Washington is 0.065 or 6.5 percent. Sales tax revenues are deposited into the state General Fund.

An additional sales tax on vehicle purchases passed the Legislature in 2003 at a rate of 0.003 or 0.3 percent. Revenue generated from the 0.3 percent sales tax on vehicles is deposited into the Multimodal Transportation account for transportation purposes.

Summary of Bill: The revenue from the retail vehicle sales tax imposed on vehicle purchases is directed to be deposited into the Motor Vehicle fund, beginning August 1, 2017. Every two years, for a period of ten years, 20 percent of the total state sales tax on vehicles will be deposited into the Motor Vehicle fund until 100 percent of the total sales tax on vehicles meets or exceeds the revenue generated from the MVFT. Once the combined sales and retail sales tax on vehicles meets the amount of the revenue produced by the MVFT, the laws that impose the MVFT are repealed.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.