

SENATE BILL REPORT

SB 6245

As of February 4, 2020

Title: An act relating to limiting state and local taxes, fees, and other charges relating to vehicles.

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

Sponsors: Senators O'Ban, Becker, Braun, Honeyford, Padden, Warnick, Zeiger, Holy and Short.

Brief History:

Committee Activity: Transportation: 2/04/20.

Brief Summary of Bill

- Adopts provisions similar or identical to law as amended by Initiative 976.
- Provides backfill for the state impacts from Initiative 976 from the sales and use tax on motor vehicles.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Bryon Moore (786-7726)

Background: Initiative 976. In November 2019, Initiative 976 (I-976) was approved by a vote of the people which modifies and lowers a variety of vehicle related taxes and fees.

Vehicle Weight Fees. I-976 eliminated the annual vehicle weight 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. The \$10 annual fee increase scheduled to go into effect July 1, 2022, is also repealed.

License Fee by Weight for Light Duty Trucks. I-976 lowered the \$53 to \$93 annual license fee by weight for light duty trucks to \$30. The \$10 annual fee increase on light duty trucks scheduled to go into effect on July 1, 2022, was not impacted by I-976.

Commercial Trailer Registration Fee. I-976 lowered the initial registration fee for commercial trailers from \$34 to \$30. The renewal registration fee remains at \$30.

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.

Snowmobile Registration Fee. I-976 reduced the initial and renewal registration fees for snowmobiles from \$50 to \$30.

Motor Home Vehicle Weight Fee. I-976 repealed the \$75 annual motor home vehicle weight fee.

Electric Vehicle Renewal Fee. I-976 lowered the \$100 annual electric vehicle renewal fee to \$30 and eliminated a separate \$50 annual renewal fee. This effectively lowered the additional renewal fees required for electric vehicles from \$150 to \$30 per year.

Sales and Use Tax on Vehicles. I-976 repealed the additional 0.3 percent sales tax on vehicles.

Transportation Benefit District Vehicle Fees. I-976 repealed the authority for a transportation benefit district to impose a vehicle fee of \$20 to \$100 per year.

Local Motor Vehicle Excise Tax for Passenger Ferry Service. I-976 repealed the authority of public transportation benefit areas with a boundary on the Puget Sound, to impose a Motor Vehicle Excise Tax (MVET) of up to 0.4 percent.

Vehicle Valuation and Motor Vehicle Excise Tax. I-976 conditionally repealed the authority of Sound Transit to impose a MVET of 0.8 percent and the current vehicle valuation schedule for purposes of determining the MVET. I-976 required the value of a vehicle for purposes of collecting an MVET must be based on the Kelley Blue Book value.

Retirement of Sound Transit Debt and Contingent Effective Date. I-976 directed Sound Transit to pay off any outstanding bonds issued with MVET as a pledged revenue source if the contractual terms allow for early payment or refinancing. 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, I-976 specified that the authority of Sound Transit to impose a MVET is lowered from 0.8 percent to 0.2 percent.

Rental Car Taxing Authority. I-976 repealed the authority to impose a 2.172 percent rental car tax for high capacity transportation services.

Initiative 976 Legal Challenge. On November 13, 2019 nine plaintiffs filed a suit challenging the constitutionality of Initiative 976. The King County Superior Court granted the plaintiff's motion for a preliminary injunction regarding the implementation of I-976. This temporary injunction was subsequently upheld in a 6-3 ruling by the Washington State Supreme Court.

As part of the injunction, King County Superior Court ordered the defendants—the Department of Licensing—to continue to collect all fees and taxes subject to the initiative and to distribute those funds to local governments and other entities.

A hearing on motions regarding summary judgement is scheduled for February 7, 2020 in King County Superior Court.

Washington Constitution—Article II, Section 41. Article II, section 41, of the Washington Constitution provides that an initiative passed by the voters may not be amended within the first two years following enactment, except by a two-thirds vote of both houses of the Legislature and the signature of the Governor, or by a direct vote of the people. A legislative act may be considered amendatory if it changes the prior act in purpose, scope, or effect. A legislative act considered supplemental does not require a two-thirds vote.

State Sales and Use Taxes. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. State sales and use tax revenues are deposited into the state general fund.

Summary of Bill: The bill reenacts, amends, or includes a variety of provisions similar or identical to law as amended by I-976 as reflected on the following tables.

Comparison of Vehicle Taxes and Fee Provisions of Initiative 976 and 2020 Legislation		
State Impacts	I-976	SB 6245
Passenger & Other Vehicle Weight Fees <ul style="list-style-type: none"> • <i>\$25-\$72 fee & FY 2023 \$10 increase, both eliminated</i> 	X	X
License Fee by Weight for Light Duty Trucks <ul style="list-style-type: none"> • <i>\$53-\$93 fees to \$30</i> 	X	X
Sales and Use Tax on Vehicles <ul style="list-style-type: none"> • <i>0.3% additional tax eliminated</i> 	X	O
Electric Vehicle Fees <ul style="list-style-type: none"> • <i>\$150 fees to \$30</i> 	X	X
Motor Home Vehicle Weight Fee <ul style="list-style-type: none"> • <i>\$75 fee eliminated</i> 	X	X
Snowmobile Registration Fees <ul style="list-style-type: none"> • <i>\$50 fee to \$30</i> 	X	X
Commercial Trailers Registration Fee <ul style="list-style-type: none"> • <i>\$34 initial fee to \$30</i> 	X	X
X - Indicates an identical or similar I-976 provision is included in the bill. O - Indicates an identical or similar I-976 provision is not included in the bill.		

Local Government Impacts	I-976	SB 6245
Sound Transit <ul style="list-style-type: none"> scenarios include: (1) MVET is eliminated if bonds are paid off by March 31, 2020; (2) the 0.8% MVET goes to 0.2% on April 1, 2020 if bonds are not paid off; (3) potential impacts from converting to Kelley Blue Book for vehicle valuation; (4) rental car taxing authority being repealed 	X	X
Transportation Benefit District (TBD) Vehicle Fees <ul style="list-style-type: none"> \$20 - \$100 Fee Eliminated 	X	X
Local Motor Vehicle Excise Tax for Passenger Ferry Service <ul style="list-style-type: none"> authority to impose a .4% MVET is repealed 	X	X
X - Indicates an identical or similar I-976 provision is included in the bill. O - Indicates an identical or similar I-976 provision is not included in the bill.		

Sales and Use Taxes on Vehicles—I-976 Backfill. Beginning with fiscal year 2021, and each fiscal year thereafter, from state sales and use taxes on vehicles, the state treasurer must transfer sufficient funds from the state general fund to each of the accounts negatively impacted by I-976 to compensate for the reduced revenue in each fiscal year. The amount of the transfers in each fiscal year will be based on the revenue loss to each respective account from I-976 as projected in the quarterly transportation revenue forecast produced by the Office of Financial Management in the spring prior to the start of each fiscal year.

Contingent Effective Dates. The bill contains the same contingent effective date as I-976 regarding Sound Transit provisions and the early retirement or refinancing of bonds. The bill contains an emergency clause for most other provisions of the bill, except the state sales and use tax on vehicle I-976 backfill provisions which take effect July 1, 2020.

Appropriation: None.

Fiscal Note: Requested on January 28, 2020.

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

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