

SENATE BILL REPORT

SB 6606

As of February 7, 2020

Title: An act relating to regional transit authorities.

Brief Description: Concerning regional transit authorities.

Sponsors: Senators Liias, Mullet, Hobbs, Dhingra, Kuderer, Conway, Darneille, Keiser, Wilson, C., McCoy, Das, Billig, Saldaña and Stanford.

Brief History:

Committee Activity: Transportation: 2/04/20.

Brief Summary of Bill

- Requires a regional transit authority (RTA) that levies a motor vehicle excise tax (MVET) to use new depreciation schedules to determine the value of vehicles.
- Amends the new depreciation schedule for passenger vehicles and light trucks to reduce the value of vehicles with between 12 and 15 years of service for the purpose of calculating a MVET.
- Adds new requirements for lease agreements between the Washington State Department of Transportation, RTAs, and other public entities.
- Allows vehicle owners subject to a MVET levied by a RTA to pay the tax using a Good to Go! account and to enter into a quarterly or monthly payment plan.
- Repeals the parts of Initiative 976 related to RTA MVETs if the initiative is allowed to take effect.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Daniel Masterson (786-7454)

Background: Regional Transit Authority. An RTA is authorized to use its tax revenues to plan, construct, and operate high-capacity transportation, such as express bus services and light rail. There is currently one RTA—Sound Transit—which operates light rail, commuter

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rail, and express bus service in Puget Sound. Sound Transit currently imposes the following voter-approved taxes:

- 1.4 percent sales and use tax;
- 1.1 percent MVET;
- an annual \$0.25 per \$1,000 of assessed value property tax; and
- 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 Voter-approved Initiative 695 (2000) and Initiative 776 (2003) repealed statewide and local MVETs. Both initiatives were eventually ruled unconstitutional in whole or in part, but the Legislature repealed the statewide MVET in 2000. Certain local MVETs were retained, including those levied by Sound Transit and the Seattle Monorail. 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 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 Department of Licensing (DOL) and Sound Transit:

MVET Valuation Schedule Currently in Use

Year	Schedule 1*	Schedule 2**
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 manufacturer's suggested retail price (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, in 2006 the Legislature passed SSB 6247, which enacted the following new valuation schedule.

2006 Valuation Schedule

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

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 the vehicle valuation method for collection of the 0.8 percent MVET would be the MVET schedules as they were 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 collected after December 31st in the year the 0.3 percent MVET bond debt is retired must use the valuation schedules enacted in 2006.

Department of Licensing Cost Recovery. Before beginning collection of a MVET, a local government, which includes Sound Transit, must contract with the DOL for the collection of the tax. DOL may charge a reasonable amount for administration costs.

Leases of Washington State Department of Transportation-Owned Lands. The Washington State Department of Transportation (DOT) is authorized to rent or lease land, improvements, or air space above or below any lands it does not presently need, but are held for highway purposes. DOT adopted administrative rules to implement this authority, which include the method by which the value of the property interest being rented or leased is determined. Under the administrative rules, the consideration for air space being leased must be economic rent. Administrative rules for rental rates of highway lands and improvements require the rental rate be economic rent as determined by either a market data report of rentals or a written appraisal.

Good to Go! Accounts. DOT uses a photo toll system that reads a vehicle license plate at toll facilities within the state. Motorists may open and use a Good To Go! account linked to their vehicle license plate to automatically pay tolls.

Initiative 976. In November 2019, voters approved Initiative 976. In December 2019, a King County Superior Court granted a motion for a preliminary injunction for the initiative, temporarily preventing it from taking effect while the court decides whether the initiative is constitutional. Among other provisions, Initiative 976 repeals and modifies the RTA MVET provisions in statute.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Part I: Regional Transit Authority Motor Vehicle Excise Tax. The bill requires an RTA levying an MVET to switch from using the valuation schedules listed in statute in 1996, to using the valuation schedules initially enacted in 2006 on January 1, 2021, instead of in 2028, when the bonds issued against the original 0.3 percent MVET are anticipated to be paid off.

The bill amends the valuation schedule for passenger vehicles and light trucks initially enacted in 2006 to reduce the value of vehicles with between 12 and 15 years of service when calculating an MVET.

DOL must receive full cost recovery from an RTA for collection of an MVET on its behalf, including the costs related to customer service and information technology.

Part II: Leasing of State Facilities to a Regional Transit Authority. In an agreement to lease lands, improvements, or air space above or below any lands held for highway purposes to a RTA, DOT must:

- value the lease at rental value, also known as economic value;
- allow rental or lease obligations accrued by an RTA to accrue using a land bank agreement;
- allow a negative balance in the land bank until January 1, 2042; and

- allow an RTA to enter into separate agreements with counties, incorporated cities and towns, and municipal corporations for the sublease or subrent of the lands, improvements, or airspace leased or rented from DOT.

The agreements between an RTA and counties, incorporated cities and towns, and municipal corporations may allow for cash payments to the RTA.

Rental or lease obligations accrued by an RTA through a land bank agreement with DOT will be allowed to be held as a negative balance in the land bank, with cash payments deferred, until January 1, 2042.

Part III: Payment of Motor Vehicle Excise Tax within a Regional Transit Authority. Beginning October 1, 2020, a vehicle owner paying for a renewal vehicle registration for a vehicle subject to an RTA MVET may:

- pay for a renewal vehicle registration with payment from an existing balance in a Good to Go! account linked to the registered vehicle; and
- enter into either a quarterly or monthly payment plan with DOL for all fees and taxes required by law for a renewal vehicle registration application if payments are made from an existing balance in a Good to Go! account linked to the registered vehicle.

DOT must allow DOL to accept payment for renewal vehicle registrations from balances in Good to Go! accounts linked to the registered vehicle. DOT may charge a fee of not more than 1 percent of each vehicle registration transaction to the Good to Go! account.

If a vehicle owner chooses to pay for a renewal vehicle registration with quarterly or monthly payments, each payment must be of an equal amount, except when the entire remaining amount of the motor vehicle excise tax due is paid along with any payment due. The first quarterly or monthly payment must be made with the application for a renewal vehicle registration. Payments made after the application for a renewal vehicle registration are not subject to additional service and technology fees.

DOL and an RTA levying an MVET must provide a report to the transportation committees of the Legislature by November 15, 2021, regarding the implementation of, and potential improvements to, the payment plan.

Part IV: Miscellaneous. The following sections of Initiative 976 are repealed if the initiative is allowed to take effect:

- sections 8 and 9, which require the use of Kelley Blue Book value to calculate an MVET;
- sections 10 and 11, which repeal the authority for an RTA to levy an MVET and the valuation schedule initially enacted in 2006;
- section 12, which requires an RTA to fully retire, defease, or refinance any outstanding bonds if an MVET is pledged to such bonds and the terms of the bond contract allow;
- section 13, which reduces the MVET rate an RTA is permitted to levy when the RTA does not retire, defease, or refinance bonds backed by an MVET before March 31, 2020; and
- section 16, which occurs when sections 10, 11, and 13 take effect.

DOL must provide written notice to affected parties, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others as deemed appropriate by DOL, when Initiative 976 has taken effect.

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.

Staff Summary of Public Testimony on Proposed Substitute: PRO: I am a supporter of Sound Transit 3. I prime sponsored legislation in 2015 to authorize it and I spoke and supported it at the ballot box. I am excited that light rail is coming to Lynwood and to Everett. I also represent a district that voted for Sound Transit 3 but voted to repeal the MVET that ST3 depends on. We want the light rail, but we also want the tax system to be fair, and that is what SB 6606 endeavors to do. When I talk to my constituents, they do not want to be stuck in traffic, but they also want their cars to be valued fairly, not on inflated values. I do not support reducing the MVET because it will cancel light rail to constituents like mine. I want to address the unfair valuation of cars, which is what is driving a lot of this concern, and I want to address the way that people pay their tabs so they are not stuck with an over 500 dollar bill once a year.

CON: We remain, with my head-of-Sound-Transit hat on, committed to trying to work out issues and we appreciate the need to try to look at some revenue offsets. Sound Transit board strongly supports the work that legislators have been doing to adjust the depreciation schedule to provide some relief to taxpayers, but importantly it also calls for any adjustment to the schedule to protect our revenues and our financial capacity in order to preserve our ability to fully deliver all the transit investments that voters approved. Our analysis of the original bill estimated that it would drain \$1.024 billion in revenue from our plan triggering a total fiscal impact of \$2.91 billion after including higher debt service costs. Our initial review of the bill indicates that it would not provide any protection for our ability to complete voter-approved projects. We respectfully request continued work to ensure that any reductions to our revenues or financial capacity be equally offset through the allocation of other replacement revenues or by actions that reduce costs. Sound Transit is like the biggest bully on the playground. I have never seen a government that is able to wield such power. For them to do as Senator King pointed out come down here and say we want \$15 billion worth of authority, snooker you guys into giving him that much authority, and then them turning around and making it 54. Then going to voters and saying your car tabs will go about \$80 bucks but then everybody's getting bills where it's 300, 500, 800, 1,000 or more. The bill specifically over rules the initiative in the event that it is upheld. So it is like the overrule the people's vote act. This accessible voting machine just got built this weekend and was not in place during the election on I-976. So, I hear a lot about what your constituents want, but I think there's a lot of constituents' voices who are not being heard. Twenty-seven percent of the people in our state do not have a driver's license. I am one of those people. There are many of us for whom the system right now has failed and it is not just people without driver's licenses. There is a lot of people who have driver's licenses that can not afford to maintain a

car or have a medical condition or are getting older and do not feel safe driving anymore. For all of us, the system has failed as well. It is failing communities that live along freeways. All the public health negative public health consequences you hear about, childhood cancer. It is failing us on so many levels. For almost 20 years my family and I have lived in Northeast Seattle's Pinehurst neighborhood, which is very close to Sound Transit's future 130th Street Station. For the last five years we have been part of the strong community support for this infill station. The local community members have been the primary advocates for the station. Thousands of people throughout the region will be able to get to work school and other places faster more efficiently and will have more time to spend with their families or another activities rather than traveling on congested freeways. Cuts to Sound Transit funding threaten my community and the region at large. Thousands of people will continue to rely on driving, contributing to the horrible Seattle area traffic congestion. Wage analysis of climate reduction measures in Puget Sound region counties shows that local and regional projects to create clean and robust transit that reduces vehicle miles traveled is expected to have twice the impact on greenhouse gas emissions compared to a strong clean fuels program such as the one we hope will pass this session. We could basically undo the clean fuels work today, or a big chunk of it, by slowing down Sound Transit. We urge the committee not to pass this bill without adding a funding plan to keep transit projects moving for the sake of our kids. We have concerns with the outcomes this bill would create. We heard what Sound Transit said about the potential financial impacts that could put the timelines at risk. We did hear and we do understand the concerns around the MVET, but it is clear that there is support for the projects and timelines set up by Sound Transit and the desire for the agency to meet those. We can not support any bill that does not include a backfill, provides a new source of funding to offset the losses, or provides cost relief. For context, Seattle has seen almost a 9 percent drop in drive alone peak hour trips from 2010 to 2018. Tacoma has seen the second largest drop across the country at 8 percent. We represent over 450 businesses, public and private, throughout the region. That is everyone from aerospace, life sciences, health care, K-12, to higher education. You name it is us. What we see is a problem where no one is able to get to where they are going. You heard earlier council member Roberts say the average commute is 45 minutes to 2 hours if you are going from Everett to Seattle. It is simply not sustainable. We acknowledge that there is something that needs to be tweaked. We want to find something in between, to find some backfill. We are here today to say first and foremost our priority is to emphasize no cuts or changes without backfill funding or a plan to keep these projects on scope and track.

OTHER: The laudatory tax relief proposed by 6606 will be meaningless if the state supreme court rules that these statutes contain drafting errors acknowledged by Sound Transit and instead of tax relief, this body will be debating tax hikes for a Sound Transit bail out. Nothing will resurrect the statute. You will have to pass a new tax authorization. Sound Transit will have to get a new voter approval for new taxes to fill a up to \$18 billion hole in their budget to preserve their finances.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor.

CON: Paul Roberts, Sound Transit Board Member; Peter Rogoff, citizen; Anna Zivarts, Rooted in Rights; Kristen Toms, 130th St Station Community Advocate; Alice Lockhart, 350 Seattle; Bryce Yadon, Transportation Choices Coalition; Erik Ashlie-Vinke, Economic Alliance Snohomish County; Tim Eyman, citizen.

OTHER: Joel Ard, Ard Law Group PLLC.

Persons Signed In To Testify But Not Testifying: No one.