

HOUSE BILL REPORT

SSB 5623

As Reported by House Committee On:
Transportation

Title: An act relating to the excise taxation of maintenance service agreements for regional transit authorities.

Brief Description: Modifying the excise taxation of maintenance service agreements for regional transit authorities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Haugen and Esser).

Brief History:

Committee Activity:

Transportation: 3/23/05 [DP].

Brief Summary of Substitute Bill

- Exempts a regional transit authority from sales and use tax paid on a maintenance contract with another transit agency.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 16 members: Representatives Murray, Chair; Wallace, Vice Chair; Campbell, Dickerson, Flannigan, Hudgins, Jarrett, Kilmer, Lovick, Morris, Nixon, Simpson, B. Sullivan, Takko, Upthegrove and Wood.

Minority Report: Do not pass. Signed by 5 members: Representatives Woods, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Buck, Hankins and Schindler.

Staff: Beth Redfield (786-7347).

Background:

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

With few exceptions, all retail sales of tangible personal property or services defined as retail between any two political subdivisions of the state are subject to the retail sales tax. Political

subdivisions of the state engaging in any activity for which a specific charge is made are also subject to the business and occupation tax.

Summary of Bill:

The definition of retail sale does not apply to agreements to provide maintenance services for bus, rail, or rail fixed guideway equipment when a regional transit authority is the recipient of the maintenance service and the services are being provided by another transit agency.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: In trying to be efficient, Sound Transit contracts with transit agencies like Pierce Transit for bus maintenance and to run express bus service. This is instead of Sound Transit setting up its own maintenance centers and bus barns. Sound Transit is being taxed for trying to be efficient. We could set up our own bus barns and run our own bus service and not have to pay the tax. Every nickel of savings counts. The bill does not impact the ongoing appeal between Sound Transit and the Department of Revenue regarding back taxes. The bill is prospective only. The bill also does not exempt construction projects from sales and use taxes. Sound Transit will pay sales tax on over \$2 billion in construction projects in the next few years.

Testimony Against: None.

Persons Testifying: John Ladenburg, Sound Transit; and Ron Main, Sound Transit.

Persons Signed In To Testify But Not Testifying: None.