

SENATE BILL REPORT

SB 5990

As Reported by Senate Committee On:
Transportation, February 19, 2015

Title: An act relating to transferring certain state sales and use taxes collected on transportation projects to the connecting Washington account.

Brief Description: Transferring certain state sales and use taxes collected on transportation projects to the connecting Washington account.

Sponsors: Senators King, Fain, Litzow, Braun, Schoesler, Parlette, Dammeier, Warnick, Sheldon, Hewitt, Becker, Brown and Bailey.

Brief History:

Committee Activity: Transportation: 2/17/15, 2/19/15 [DP-WM, DNP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators King, Chair; Benton, Vice Chair; Fain, Vice Chair; Baumgartner, Ericksen, Litzow, Miloscia, Rivers and Sheldon.

Minority Report: Do not pass.

Signed by Senators Hobbs, Ranking Minority Member; Liias, Assistant Ranking Minority Member; Cleveland, Habib, Jayapal and Pedersen.

Staff: Amanda Cecil (786-7429)

Background: The state, most cities, and all counties levy retail sales and use taxes upon most articles of tangible personal property, digital products, and some services. The state sales and use tax rate is 6.5 percent, which is deposited into the state general fund. There is an additional sales and use tax of 0.3 percent on the sale of motor vehicles that is deposited into the Multimodal Transportation Account and used for transportation purposes. Local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location. The state pays sales tax to contractors on transportation projects for both labor and materials.

Summary of Bill: Until June 30, 2018, an amount equal to the amount of state sales and use tax paid with funds appropriated in an omnibus transportation appropriations act for transportation projects funded from the Connecting Washington Account must be transferred from the state general fund to the Connecting Washington Account. Beginning July 1, 2018,

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and thereafter, an amount equal to the amount of state sales and use tax paid with funds appropriated in an omnibus transportation appropriations act for all transportation projects must be transferred from the state general fund to the Connecting Washington Account.

Each quarter the Department of Transportation must submit a report to the Department of Revenue (DOR) notifying them of the state sales tax paid on the applicable projects from the previous quarter. DOR must notify the Treasurer of the amount of the transfer by the last working day of each calendar quarter.

Appropriation: None.

Fiscal Note: Requested on February 14, 2015.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony: PRO: Using sales tax to build projects will generate economic activity and create jobs. Using taxpayer dollars responsibly and for the purposes they were intended for engenders public trust. That will be a great extender for getting things done in the state.

CON: This bill takes general fund money out of the general fund and creates a larger under-funded position in the operating budget. Education is the paramount duty and the state has not solidified a plan to fully fund education. Shifting funds from the operating budget to the transportation budget is concerning. This is a policy issue that brings ideological issues into a non-political issue and it is irresponsible budgeting.

OTHER: The transfer needs to be looked at closely to ensure that funding is not diverted from education. Imposing sales tax and bonding that cost causes people to lose trust in the trust fund. Transferring funds back for transportation use goes a long way to regaining public trust.

Persons Testifying: PRO: Duke Schaub, Associated General Contractors of WA; Larry Pursley, WA Trucking Assns.; Neil Strege, WA Business Roundtable; Van Collins, American Council of Engineering Companies; Mike Ennis, Assn. of WA Business; Tom Pierson, Tacoma Pierce County Chamber of Commerce; Carolyn Logue, South Sound Chambers of Commerce Legislative Coalition; Todd Woosley, East King County Chambers of Commerce Legislative Coalition; Scott Dilley, WA Farm Bureau.

CON: Shawn Lewis, WA Education Assn.; Joe Kendo, WA State Labor Council; Nick Federici, WA United for Fair Revenue.

OTHER: Bob Pishue, WA Policy Center; Charles Knutson, Governor's Office.