

Fiscal Impact Statement for Initiative 976

FISCAL IMPACT SUMMARY

Initiative 976 changes vehicle taxes and fees by lowering motor vehicle and light duty truck weight fees to \$30; eliminating the 0.3 percent sales tax on vehicle purchases; lowering electric vehicle and snowmobile fees; modifying and reducing Sound Transit motor vehicle excise tax provisions; and removing authority for transportation benefit districts to impose a vehicle fee. Total revenue loss to the state in the next six years is \$1,921,901,238. Total revenue loss to local governments in the next 6 years is \$2,317,121,034. The departments of Licensing and Revenue have estimated implementation costs of \$2,846,800 in the 2019—21 biennium.

General Assumptions

- Except as otherwise provided, the effective date of the initiative, if approved by voters, is December 5, 2019. Section 10 and 11 take effect on the date that the regional transit authority complies with section 12 of this act. Section 13 takes effect on April 1, 2020, if sections 10 and 11 have not taken effect by March 31, 2020.
- The provisions of the initiative apply prospectively, not retroactively.
- Fiscal estimates use the state's fiscal year of July 1 through June 30. Fiscal year 2020 is July 1, 2019, to June 30, 2020.
- State revenues are based on the June 2019 transportation revenue forecast.
- Local revenues are based on the most recent actual figures and are not forecasted.
- Transportation benefit districts (TBDs) have the authority to collect vehicle fees, and sales and use tax. This initiative repeals only the authority to collect vehicle fees, so TBDs could continue to collect sales and use tax.
- Section 5(1) erroneously states that the electric vehicle fee is \$130 total. RCW 46.17.323 includes two fees. \$100 in section (1) and \$50 in section (4)(a). The current electric vehicle fee is \$150 total. Calculations for the impact of the fee reduction are based on the correct fee. Chapter 287, Laws 2019 establishes the transportation electrification fee of \$75. I-976 would lower the \$100 in section (1) to \$30 and eliminate the \$50 in section (4)(a). It does not affect the new \$75 fee.

REVENUE

State Revenue

The initiative reduces license fees for vehicles under 10,000 lbs. to \$30. The additional 0.3 percent sales and use tax on motor vehicle sales is eliminated. The snowmobile license fee is reduced from \$50 to \$30. Commercial trailer fees are reduced from \$34 to \$30. The electric vehicle fee in Section 5(1) is reduced from \$100 to \$30. An additional electric vehicle fee in Section 5(4)(a) of \$50 is eliminated.

The Motor Vehicle Account is the main source of funds for highway construction, maintenance, ferries and support services. A portion of motor fuel tax revenues is distributed to cities and counties for road programs.

The Puget Sound Ferry Operations Account funds ferry operations and maintenance.

The Transportation Improvement Account funds administration of the Transportation Improvement Board and grants for local government transportation projects that address congestion.

The Multimodal Transportation Account funds all modes of transportation projects, including public transportation, rail and bicycle/pedestrian projects.

The Transportation 2003 Account funds debt service on bonds and Washington State Department of Transportation operating and capital highway programs.

Local Revenue

This initiative repeals local authority to impose a TBD vehicle fee. TBD vehicle fees are used by 62 municipalities across the state to fund local improvements such as road repair and maintenance, transit systems and sidewalks. In fiscal year 2018, TBDs using a vehicle fee across the state collected \$58,186,839. This revenue would be eliminated beginning on the effective date of this initiative.

Sections 10 and 11 would reduce the motor vehicle excise tax (MVET) that funds the Central Puget Sound Regional Transit Authority (RTA) commonly known as Sound Transit. MVET rates are reduced from .8% to .2% and will be calculated based on Kelley Blue Book vehicle value instead of the manufacturer's suggested retail price.

This tax rate would be repealed when the RTA is able to refund, refinance or defease, or terminate, outstanding bonds that have been issued against this tax. It is unknown if this is possible. If the bonds are not able to be defeased, the MVET will remain unchanged to pay off the bonds previously issued that are pledged to the revenue source. If the bonds are able to be defeased, Sound Transit's revenue would be reduced by \$328,000,000 per fiscal year based on 2018 revenue. For new bonds issued, the MVET will decrease from .8% to .2%.

This initiative repeals local authority to impose a passenger-only ferry tax. Currently there are no passenger-only ferry districts using the MVET authority to fund their ferries, although they would no longer have the option.

Tax/Fee	Fiscal year 2018 revenue impact
TBD Fee	(\$58,186,839)
RTA MVET	(\$328,000,000)
Passenger-only ferry MVET	0

EXPENDITURES

State Government Expenditures