

SENATE BILL REPORT

2EHB 1016

As Reported By Senate Committee On:
Transportation, February 23, 1996

Title: An act relating to state and county ferries.

Brief Description: Exempting state and county ferry fuel sales and use tax.

Sponsors: Representatives K. Schmidt and Kremen.

Brief History:

Committee Activity: Transportation: 3/16/95, 3/28/95 [DPA]; 2/14/96, 2/23/96 [DP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass.

Signed by Senators Owen, Chair; Heavey, Vice Chair; Goings, Morton, Prentice, Prince, Rasmussen, Schow, Thibaudeau and Wood.

Staff: Roger Horn (786-7839).

Background: Unless specifically exempted, all vehicle fuels are subject to either the motor vehicle or special fuel tax, or are subject to either the retail sales tax or use tax. Under current law, fuel purchased for ferry use is exempt from the motor vehicle fuel tax and is therefore subject to the sales and use tax. Special fuel purchased by the marine division of the Department of Transportation is exempt from the special fuel tax and is subject to the use tax.

The cities of Bremerton, San Francisco and Honolulu are being considered as possible sites for the permanent placement of the decommissioned battleship, U.S.S. Missouri. If Bremerton is chosen, the ship would be berthed adjacent to the Washington State Ferries terminal, with new walkways constructed to connect the ship and the terminal. It is estimated that over 300,000 people per year would visit the attraction. The cost of facilities for placement of and access to the ship is estimated at \$6 million. A decision on the ship's placement is expected by spring of 1996.

Summary of Bill: Ferries owned or operated by the state or one of its political subdivisions are subject to the motor vehicle fuel tax and thus are no longer charged sales and use taxes on the fuel they purchase. The motor vehicle taxes are, in turn, redistributed to the paying entity.

Three million dollars is provided to the Washington State Ferries to reimburse Kitsap County and the Port of Bremerton for the construction of facilities supporting the permanent placement of and access to the U.S.S. Missouri in the city of Bremerton.

Appropriation: \$3 million from the Puget Sound ferry operations account to Washington State Ferries.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: As a transit mode, the ferry system should not have to pay sales tax on fuel. Other transit agencies are not required to pay sales tax on fuel. The added revenue will help county ferries which are on a tight budget. A state funding commitment will increase the chances for Bremerton to be chosen as the site of the USS Missouri. The USS Missouri would boost the local and state economy and improve the quality of life in Bremerton and the Navy yard. Local jurisdictions and the private sector have already committed their support for the USS Missouri project.

Testimony Against: None.

Testified: PRO: Representative K. Schmidt, prime sponsor; Senator Betti Sheldon; Matt Ryan, Kitsap County Commissioner; Mayor Lynn Horton, City of Bremerton; Earle Smith, Economic Development Council of Kitsap County; Sven Kalve, Boeing Company/Save the Missouri Committee; Jay Holman, Port of Bremerton; Terry McCarthy, Washington State Ferries; George Walk, Pierce County.