

# HOUSE BILL REPORT

## SHB 1225

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### As Amended by the Senate

**Title:** An act relating to the effect of special fuel taxes on publicly owned or operated urban passenger transportation systems.

**Brief Description:** Clarifying the effect of special fuel taxes on publicly owned or operated urban passenger transportation systems.

**Sponsors:** House Committee on Transportation (originally sponsored by Representatives Liias, Rodne, Upthegrove, Roach, Simpson and Rolfes).

#### **Brief History:**

##### **Committee Activity:**

Transportation: 2/3/09, 2/10/09 [DPS].

##### **Floor Activity**

Passed House: 3/3/09, 69-28.

Senate Amended.

Passed Senate: 4/8/09, 32-12.

#### **Brief Summary of Substitute Bill**

- Clarifies that all publicly-owned and operated urban passenger transportation systems are exempt from the special fuel tax.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Clibborn, Chair; Liias, Vice Chair; Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Dickerson, Eddy, Finn, Johnson, Moeller, Sells, Simpson, Springer, Takko, Upthegrove, Wallace, Williams and Wood.

**Minority Report:** Do not pass. Signed by 7 members: Representatives Cox, Ericksen, Herrera, Klippert, Kristiansen, Rolfes and Shea.

**Staff:** Kathryn Leathers (786-7114)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:**

Transportation funding in Washington is supported by a variety of taxes and fees. The majority of statewide transportation revenue comes from a tax on motor vehicle and special fuel, vehicle licensing fees, and gross weight fees. Vehicle fuels are taxed under the Motor Vehicle Fuel Tax Act or the Special Fuel Tax Act. The rate for both the motor vehicle and special fuel tax is 37.5 cents per gallon.

The special fuel tax applies to all combustible gases and liquids suitable for generating power to propel motor vehicles, except gasoline. The main types of fuels subject to the special fuel tax are diesel, natural gas, propane, butane, and a certain dyed fuel prescribed by federal law.

Several categories of uses are exempt from the special fuel tax, including using such fuel for street and highway construction and maintenance purposes in government-owned or operated motor vehicles, in publicly-owned fire fighting equipment, and in special mobile equipment related to construction.

In addition, urban passenger transportation systems and other specially-defined carriers are exempt from paying the special fuel tax. "Urban passenger transportation system" means every publicly or privately-owned transportation system that has bus fares as its principal source of revenue, transports passengers in vehicles with a seating capacity of more than 15 people, and travels over routes that do not extend more than 25 road miles beyond the corporate limits of the county in which the trip originated.

All public transportation systems, like city-owned transit agencies and public transportation benefit areas, meet the basic definition of an urban passenger transportation system. However, bus fares are typically not the principal source of revenue for a public transportation system. In addition, some public transportation systems contract with other service providers to provide bus service that extends 25 road miles or more beyond the county in which the buses originated.

**Summary of Substitute Bill:**

It is clarified that all publicly-owned and operated urban passenger transportation systems are exempt from the special fuel tax. The definition of "urban passenger transportation system" is modified to address privately-owned systems separately from publicly-owned and operated systems. Existing requirements and limitations included in the definition for urban passenger transportation systems are made applicable only to those privately-owned systems. The requirements and limitations applicable only to privately-owned systems include: (1) having fare revenue as a principal source of revenue, and (2) transporting passengers on routes that do not extend 25 road miles beyond the boundaries of the county in which the trip originated.

A publicly-owned and operated urban passenger transportation system is defined to include public transportation benefit areas, metropolitan municipal corporations, city-owned transit systems, county public transportation authorities, unincorporated transportation benefit areas, and regional transportation authorities.

**EFFECT OF SENATE AMENDMENT(S):**

Makes a technical change to the format of a subsection, and makes no substantive changes.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This is a technical fix bill. It clarifies that all public transit agencies are exempt from the special fuel tax, which was the intent of the Legislature. The original exemption exacted many years ago did not anticipate that public transportation entities would be authorized to provide services in multiple counties. The bill fixes an unintended problem associated with the current 25-mile limitation imposed on public transit agencies. The biggest expense for affected transit agencies that provide service in multiple counties is not the special fuel tax itself, it is the bookkeeping expense for tracking service outside the 25-mile limit. While Sound Transit did pay an up-front tax of \$100,000 for special fuel in 2007, it is not clear if all or some portion of this payment will be refunded. The statute is confusing to all parties affected by it.

(Opposed) None.

**Persons Testifying:** Representative Liias, prime sponsor; Michael Shaw, Washington State Transit Association; and Martin Flynn, Sound Transit.

**Persons Signed In To Testify But Not Testifying:** None.