



Summary of Initiative 976

Prepared for members of the Washington House of Representatives by the House Office of Program Research.

This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

BRIEF SUMMARY

- Limits state and local motor vehicle license fees to \$30 per year regardless of year, value, make, or model for cars, sport utility vehicles, light trucks, motorcycles, and motor homes.
- Reduces certain other vehicle related fees to \$30 per year.
- Repeals the motor home vehicle weight fee, passenger-only ferry service local option motor vehicle excise tax, transportation benefit district vehicle fee, and 0.3 percent tax on motor vehicle retail sales.
- Requires local motor vehicle excise taxes (MVET) to be calculated using the Kelley Blue Book base value of the vehicle.
- Requires the retirement, defeasement, or refinancing of all regional transit authority (RTA) bonds that have MVET revenue pledged to them, which would only apply to Sound Transit bonds.
- Eliminates the MVET for high capacity transportation service from the list of available taxes that can be levied, repeals the MVET authorization for an RTA, and repeals the statutory MVET valuation schedule, once the bond retirement, defeasement, or refinancing requirement is met.
- Reduces the maximum MVET rate that an RTA may levy to 0.2 percent on April 1, 2020, if the RTA bond retirement, defeasement, or refinancing requirement has not been met by March 31, 2020.

BACKGROUND

Initiative 976

Initiative 976 was filed in 2018 as an initiative to the Legislature. Once certified, an initiative to the Legislature is submitted to the Legislature at its next regular session, at which time the Legislature must take one of three actions:

- adopt the initiative as proposed, in which case it becomes law without a vote of the people;
- reject or take no action on the proposed initiative, in which case the initiative must be placed on the ballot at the next state general election; or
- approve an alternative to the proposed initiative, in which case both the original proposal and the Legislature's alternative must be placed on the ballot at the next state general election.

The Legislature did not act on Initiative 976 during its 2019 Regular Session. This initiative is, therefore, being submitted to the people for approval or rejection at the November 2019 general election.

The ballot title and ballot measure summary are as follows:

Ballot Title

Initiative Measure No. 976 concerns motor vehicle taxes and fees.

This measure would repeal, reduce, or remove authority to impose certain vehicle taxes and fees; limit annual motor-vehicle-license fees to \$30, except voter-approved charges; and base vehicle taxes on Kelley Blue Book value.

Should this measure be enacted into law? Yes [] No []

Ballot Measure Summary

This measure would repeal or remove authority to impose certain vehicle taxes and fees; limit state and local license fees to \$30 for motor vehicles weighing 10,000 pounds or less, except charges approved by voters after the measure's effective date; base vehicle taxes on Kelley Blue Book value; require regional transit authorities to retire bonds early where allowed; and either reduce or repeal taxes pledged to bonds depending on whether bonds are retired by 2020.

Registration and Vehicle Weight Fees

Motor vehicles used on public highways must generally be registered annually with the Department of Licensing (DOL), which collects various state and local fees and charges. Most vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, are subject to: (1) a \$30 annual registration fee; (2) an annual weight fee of \$25 to \$72 based on the scale weight of the vehicle; and (3) other fees totaling \$8.75. In addition, a \$10 increase in annual weight fees for vehicles is scheduled for July 1, 2022. There are also state and local fees and charges based on where the vehicle is registered geographically and whether the vehicle qualifies for a fee based on vehicle type (such as electric vehicles and motor homes).

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

The majority of the proceeds from state vehicle weight fees are deposited in the state Multimodal Transportation Account. Funds in the account are used for transportation purposes, which include highway purposes, public transportation, and rail.

License Fee by Weight for Light Duty Trucks

Trucks, including light duty trucks under 10,000 pounds, are subject to an annual license fee based on gross vehicle weight, in lieu of vehicle license fees and weight fees. The annual license fees for light duty trucks range from \$53 to \$93, as follows.

Weight Class	Current Fee
4,000 lbs. or less	\$53
4,001 – 6,000 lbs.	\$73
6,001 – 8,000 lbs.	\$93
8,001 – 10,000 lbs.	\$93

In addition, a \$10 increase in annual license fees for light duty trucks is scheduled for July 1, 2022.

Commercial Trailer Registration Fee

A commercial trailer is a trailer that is principally used to transport commodities, merchandise, produce, freight, or animals. The initial registration fee for a commercial trailer is \$34, and the registration renewal fee for a commercial trailer is \$30 per year.

Snowmobile Registration Fee

A snowmobile is a self-propelled vehicle capable of traveling over snow and ice. The annual registration fee for a snowmobile is \$50.

Motor Home Vehicle Weight Fee

A motor home is a motor vehicle originally designed, reconstructed, or permanently altered to provide facilities for human habitation. Motor homes are subject to a motor home vehicle weight fee of \$75, in lieu of the motor vehicle weight fee, in addition to all other fees and taxes required by law.

Electric Vehicle Fee

In addition to any other fees due at annual vehicle registration renewal, vehicles that are powered by electricity are subject to two state electric vehicle fees that total \$150. The first fee is \$100

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

and is deposited into the Motor Vehicle Fund, unless the annual amount collected exceeds \$1 million, in which case the excess amount is distributed as follows: (1) 70 percent to the Motor Vehicle Fund; (2) 15 percent to the Transportation Improvement Account; and (3) 15 percent to the Rural Arterial Trust Account. The second fee is \$50 and is deposited into the Motor Vehicle Fund.

Sales and Use Tax on Vehicles

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The current sales and use tax rate for the State of Washington is 6.5 percent; these revenues are deposited in the State General Fund. An additional 0.3 percent sales and use tax is levied on vehicle purchases. Revenue generated from the 0.3 percent sales and use tax on vehicles is deposited into the Multimodal Transportation Account.

Local Transportation Benefit District Vehicle Fees

A Transportation Benefit District (TBD) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the TBD. A TBD is governed by the legislative authority of the jurisdiction proposing to create it or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. A TBD has independent taxing authority to implement various revenue measures with voter approval.

A TBD may impose a vehicle fee of: (1) up to \$20 annually with a majority vote of the governing body; (2) up to \$40 upon a majority vote of the governing body if a \$20 fee has been in effect for at least 24 months; (3) up to \$50 upon a majority vote of the governing body if a \$40 fee has been in effect for at least 24 months. Any license fees over these amounts, up to \$100, must be approved by a simple majority of the TBD's voters.

Local Motor Vehicle Excise Taxes for Passenger Ferry Service

Public Transportation Benefit Areas (PTBAs) with a boundary on the Puget Sound, which do not include an area where a Regional Transit Authority (RTA) has been formed, may submit a proposition to the voters for the imposition of a Motor Vehicle Excise Tax (MVET) of up to 0.4 percent solely for the purpose of providing passenger-only ferry service. As of August 1, 2019, no PTBA imposes this local option MVET.

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

Regional Transit Authorities

An RTA is authorized to use its tax revenues to plan, construct, and operate high-capacity transportation, such as express bus service and light rail. As of August 1, 2019, there is one RTA—Sound Transit—which operates light rail, commuter rail, and express bus service in Puget Sound. Sound Transit currently imposes the following voter-approved taxes: (1) 1.4 percent sales and use tax; (2) a 1.1 percent MVET; (3) an annual 25 cents per \$1,000 of assessed value property tax; and (4) a rental car sales tax of 0.8 percent.

Motor Vehicle Excise Tax

An MVET is a tax paid on the value of a motor vehicle. The tax base is the manufacturer's base suggested retail price when the vehicle is first offered for sale, multiplied by a depreciation schedule. Sound Transit is the only local government imposing an MVET to develop and operate a high-capacity transportation service.

Prior to 2015, the Sound Transit MVET rate was 0.3 percent. In 2015 an RTA that included a county with a population of greater than 1,500,000 was granted the authority to increase its MVET rate by 0.8 percent with voter approval, which Sound Transit imposed in 2016. The vehicle valuation method for collection of the additional 0.8 percent MVET is the MVET schedule as it existed in January 1996. The 1996 MVET valuation schedule must be used until bonds issued against the original 0.3 percent MVET are paid off.

Bonds issued against the original 0.3 percent MVET are anticipated to be paid off in 2028, at which point the 0.3 percent MVET will cease being collected. Any MVET that is collected after December 31 of the year the 0.3 percent MVET bond debt is retired must use a valuation schedule enacted by the Legislature in 2006.

Year	1996 Valuation Schedule		2006 Valuation Schedule	
	Schedule 1 [*]	Schedule 2 ^{**}	Schedule A [†]	Schedule B ^{††}
1	100 percent	100 percent	100 percent	100 percent
2	100 percent	90 percent	81 percent	81 percent
3	91 percent	83 percent	67 percent	72 percent
4	83 percent	75 percent	55 percent	63 percent
5	74 percent	67 percent	45 percent	55 percent
6	65 percent	59 percent	37 percent	47 percent
7	57 percent	52 percent	30 percent	41 percent
8	48 percent	44 percent	25 percent	36 percent
9	40 percent	36 percent	20 percent	32 percent
10	31 percent	28 percent	16 percent	27 percent
11	22 percent	21 percent	13 percent	26 percent

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

12	14 percent	13 percent	11 percent	24 percent
13 (and older for 1996 schedule)	10 percent	10 percent	9 percent	23 percent
14			7 percent	21 percent
15			3 percent	16 percent
16 (and older for 2006 schedule)			0 percent	10 percent

*Schedule 1: Passenger vehicles, motorcycles, light-duty trucks, and small trailers. Base manufacturer's suggested retail price (MSRP) is used in the valuation.

**Schedule 2: Certain trucks with scale weight of over 6,001 pounds.

†Schedule A: Heavy and medium trucks whose empty scale weights exceed 6,000 pounds, including commercial and log use trucks. Valuation represents the average, annual national market depreciation for all vehicles in the class.

††Schedule B: All other vehicles. The valuation represents average, annual western-region market depreciation for passenger vehicles and light trucks.

Base vehicle valuation is defined at 85 percent of MSRP for all taxable vehicle use classes other than heavy and medium trucks. Base value for heavy and medium trucks is defined by the latest purchase price.

Kelley Blue Book

Kelley Blue Book is an Irvine, California-based vehicle valuation and automotive research company that reports market value prices for new and used automobiles of all types, as well as motorcycles.

SUMMARY

Vehicle Fees and Taxes

The following state fees are lowered to \$30:

- the annual weight fees for light duty trucks (a \$10 annual fee increase scheduled for July 1, 2022, is unaffected);
- the initial registration fee for commercial trailers;
- the initial and renewal registration fees for snowmobiles; and
- the electric vehicle renewal fee.

The following state and local taxes and fees are eliminated:

- the state annual fees based on the scale weight of motor vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, and cabs, including the \$10 annual fee increase schedule for July 1, 2022;
- the state annual motor home vehicle weight fee;

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.

- the state electric vehicle annual fee;
- the additional state 0.3 percent sales tax on vehicles;
- the authority of transportation benefit districts to impose vehicle fees; and
- the authority for certain public transportation benefit areas to impose an MVET for passenger ferry service.

Vehicle Valuation

The value of a vehicle for purposes of collecting an MVET and appealing vehicle valuation must be based on the Kelley Blue Book value.

Retirement of Sound Transit Debt

Sound Transit is required to retire, defease, or refinance any outstanding bonds issued with MVET as a pledged revenue source, if the contractual terms for the bonds allow for early retirement, defeasement, or refinancing.

At the time Sound Transit pays off all outstanding bonds for which an MVET is pledged for bond repayment, the authority to levy an MVET and the 2006 vehicle valuation schedule are repealed. If this has not occurred by March 31, 2020, the MVET rate is lowered from a 0.8 percent to 0.2 percent.

Effective Date: The initiative takes effect 30 days after the election at which it is approved.

Staff Contact: David Munnecke (360-786-7315)

Prepared for members of the Washington House of Representatives by the House Office of Program Research. This information has been prepared in response to various requests for a summary of Initiative 976. It is provided for analytical and legislative policy purposes only. It is not provided as an expression of support for or opposition to any ballot measure. These materials are intended to provide general information and are not intended to be an exhaustive analysis of all issues presented by the measure.