

Local Transportation Tax Options

Overview

Local governments are authorized by state law to impose several different taxes directly or collect taxes through creation of taxing districts for transportation purposes. For purposes of local tax options, “transportation purposes” include road and transit projects. These taxes provide general transportation revenue for a city (or county in some cases). Following is a brief overview of the major local option transportation taxes and mechanisms. Several other options are available to certain jurisdictions. Voter approval is required in some cases.

Transportation Benefit Districts

Authorized in 2005, Transportation Benefit Districts (TBDs) are taxing districts created by local governments to raise transportation revenue. A TBD may be formed in more than one county, city, port district, or transit district through an interlocal agreement. The TBD is governed by the legislative authority of the government creating it or a governance structure prescribed by interlocal agreement. The TBD does not have to include the full boundaries of any participating jurisdictions and it can spend money on road and transit projects as well as operations and maintenance. With narrow exceptions, all taxes must be approved by a simple majority of voters.

Tax options for TBDs include:

- 0.2% sales/use tax – subject to renewal every 10 years
- Excess property taxes subject to a 60% supermajority vote
- \$100 vehicle license fee*
- Impact fees on commercial or industrial property (may be imposed without a public vote)
- Border area gas tax (1 cent/gallon – in qualifying areas only)
- Vehicle tolls subject to approval by the Transportation Commission

*In 2007, the Legislature authorized TBDs to impose a vehicle license fee of up to \$20 without voter approval. To date, no TBDs have imposed the fee. Several jurisdictions asked voters through an advisory measure for their opinion on imposing the fee and in all cases voters overwhelmingly said “no.”

Regional Transportation Investment Districts

Regional Transportation Investment Districts (RTIDs) were authorized under SB 6140 in 2002 for the purpose of planning, selecting, funding, and construct projects to address transportation needs in King, Pierce, and Snohomish counties. Under the original legislation, implementation required at least two contiguous counties to form a RTID. In 2006, the Legislature directed RTID and Sound Transit to submit a joint ballot measure to voters in King, Pierce, and Snohomish counties to fund road and transit projects. The measure (Proposition 1) was soundly defeated in November 2007.

The failure of Proposition 1 triggered several changes to the RTID statute. Now, King, Pierce, and Snohomish counties can form a single or multi-county RTID. The boundaries of a RTID may include the entire county or just the urban areas that generally follow Sound Transit’s current boundaries.

RTID projects are restricted to capital improvements on highways of statewide significance, county roads, and city streets under certain conditions. County and city road projects must include a 15% minimum local match. The total amount of county and city road projects in any RTID plan may not exceed 10% of the total RTID budget.

Tax options for a RTID are subject to approval by a simple majority of voters and include:

- 0.1% sales/use tax
- \$100 vehicle license fee
- Commercial parking tax
- Employer excise tax of up to \$2 per month, per employee
- 0.8% motor vehicle excise tax (MVET)
- Local option gas tax (10% of state tax) only if boundaries of RTID encompass the entire county
- Vehicle tolls subject to approval by the Transportation Commission

Each of the three Central Puget Sound counties has discussed forming their own RTID, but to date, none of the three counties has created one.

Other Local Option Transportation Taxes

In addition to tax options available to a TBD or RTID, counties and cities may also implement other local transportation taxes directly. The three major direct taxes are discussed below:

- Commercial Parking Tax

Rate: Varies

Levied by: Counties, cities, TBD, RTID

Voter approval required: No unless imposed by a TBD or RTID

Authorized in 1990, a county (unincorporated areas only), city, TBD, or RTID can levy a commercial parking tax on parking businesses. There is no cap on the rate, but there are parameters for setting the tax rate such as duration of the parking, location of the lot, time of day, or other factors. Voter approval is not required unless imposed by a TBD or RTID, but there is a referendum procedure. A voter filing a referendum to repeal this tax must submit their petition within 7 days of passage of the ordinance and within 30 days collect signatures from at least 15% of the registered voters in the affected area. Currently, the cities of SeaTac, Bainbridge Island, Bremerton, Mukilteo, and Tukwila impose this tax.

- Local Gas Tax

Rate: 10 percent of state gas tax (currently 3.6 cents/gallon)

Levied by: Counties, RTID under certain conditions

Voter approval required: Yes

Counties have the authority to impose a local gas tax of up to 10 percent of the state gas tax rate on gas and diesel fuel. Revenues must be used for roads and/or ferries as defined in the 18th Amendment of the state constitution. A simple majority of voters approving the tax is required. To date, no county has enacted this tax. If the RTID enacts the tax, no county within its boundaries may collect the tax.

➤ Border Area Gas Tax

Cities within 10 miles of an international border crossing or TBDs that include an international border crossing may collect a border area gas tax of 1 cent/gallon. Only the cities of Blaine, Nooksack, Sumas, and the Point Roberts TBD in Whatcom County impose this tax.

➤ Motor Vehicle Excise Tax

Rate: 0.3 percent (Sound Transit), 0.8 percent (RTID)

Levied by: Sound Transit, RTID

Voter approval required: Yes

When the 2000 Legislature repealed the statewide motor vehicle excise tax (MVET), certain MVET taxes remained in King, Pierce, and Snohomish Counties due to Sound Transit's MVET and from 2003-2006, the Monorail MVET in the City of Seattle. In 1996, voters in King, Pierce, and Snohomish County approved *Sound Move* and created Sound Transit to construct and operate bus and rail projects in those three counties. Sound Transit's current MVET is 0.3 percent of the vehicle value using the state depreciation schedule. Seattle voters approved the construction of the monorail project in 2002 financed with a 1.4 percent MVET, but terminated the project in 2005. Proposition 1 would have imposed a 0.8 percent MVET for RTID projects, but voters rejected that measure.

Transit District Taxes

There are 27 transit districts around the state that provide transit (generally bus) service to their communities. Although there are several tax options authorized in statute to fund transit districts, all districts, with the exception of one impose a local option sales/use tax to fund their services.

Subject to majority voter approval, transit districts may impose a sales/use tax of up to 0.9 percent. Pullman Transit has chosen to impose a 2 percent utility tax to fund its transit system. Together, taxes from the 27 transit districts generated \$734 million in 2006.