



BRIEFLY

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Initiative 776: \$30 Car Tabs and an Attempt to Derail Sound Transit

Another offspring of the successful, if unconstitutional, Initiative 695 campaign, Initiative 776 brings back the promise of \$30 car tabs.

Along the way, it attempts to inflict substantial collateral damage on Sound Transit, which relies on a regional motor vehicle excise tax (MVET) for about 20 percent of its voter approved funding, and removes a funding source for various city and county road improvement projects.

Background

Voters approved Initiative 695 in 1999. The initiative sought primarily to eliminate the state's unpopular 2.2 percent MVET and make all tax and fee increases subject to voter approval. Although the state Supreme Court found that I-695 violated the constitutional "single subject" rule, the legislature swiftly repealed the MVET and the governor signed the legislation.

The legislature's action, however, did not result in \$30 car tabs for everyone. Lawmakers did not initially repeal certain local motor vehicle taxes, although in 2002 the legislature repealed the authority of local transit systems to levy a 0.725 percent MVET.

Still remaining are two local authorities that I-776 seeks to repeal. In particular, a Regional Transit Authority may levy the MVET to support high capacity transportation systems. Sound Transit (ST), operating in parts of Pierce, King, and Snohomish Counties, currently levies an MVET of 0.3 percent of vehicle value. Also, local governments may impose a license fee of up to \$15 per year; four counties (King, Pierce, Snohomish, and Douglas) currently do so.

The Basics

I-776 repeals two existing taxes, lowers another, and removes statutes relating to the implementation of the MVET. (The following discussion draws on an analysis of the financial impacts of I-776 prepared by the state office of financial management.)

High capacity transportation MVET repealed. Sound Transit currently levies a voter-approved MVET of 0.3 percent of vehicle value. I-776 eliminates the local option MVET of up to 0.8 percent used for high capacity transportation services. Voters in the Sound Transit region approved this MVET in 1996 as part of the funding for the regional transit system.

Local option vehicle license fee repealed. I-776 requires elimination of a voter approved local option vehicle license fee, capped annually at \$15. This fee currently exists in King, Pierce, Snohomish, and Douglas counties. Counties and



cities share the revenue, which is used for locally determined transportation needs.

License fee for light trucks lowered. I-776 requires the license fee for light trucks weighing between 4000 and 8000 pounds to be no more than \$30. Trucks are required to pay a combined license fee that includes registration, filing and gross weight fees. This combined license fee is based on vehicle weight. Light truck fees currently range from \$37 to \$55.

Implementing statutes repealed. The initiative repeals statutes prescribing the method for establish vehicle valuation and disposition of MVET revenues.

Effect on Taxpayers

The tax and fee savings from I-776 will vary among vehicle owners.

For those paying the Sound Transit MVET, the savings is 0.3 percent of the valuation of the vehicle. For example, the tax on a \$15,000 car is \$45; on a vehicle valued at \$7,000, it is \$21. OFM estimates an average savings of \$28 per year.

In the four counties collecting the \$15 license fee, owners save \$15 for each car or truck they license.

The savings for owners of light trucks differ depending on truck weight. For trucks weighing 4,000 pounds or less, the savings is \$7 per year; between 4,001 and 6,000 pounds, \$14; and, between 6,001 and 8,000 pounds, \$25.

Effect on State and Local Governments

Although the savings per taxpayer appear to be relatively modest, the cumulative impact of the I-776 reductions is substantial.

Sound Transit depends on the local MVET for about 20 percent of the agency's voter-approved revenues, which currently fund a combination of regional buses, commuter rail, park and ride lots, transit centers, and light rail projects. A staff briefing to the ST Board February 14, 2002, said loss of the tax would jeopardize nearly \$700 million of the agency program, affecting Sounder commuter rail, express bus services, and light rail.

The tax supports \$350 million of ST bonds, and the legality of the MVET repeal is sure to be challenged should the initiative pass. The state department of licensing, which collects the tax for ST, has said it will continue to collect the tax until a court tells it to do otherwise. Even if it is determined that the MVET must be collected until existing bonds are retired, the effect of I-776 on the agency's ability to sell future bonds remains uncertain.

I-776 addresses the issue of ST bonds in a section of the initiative that states: "If the repeal of taxes ... affects any bonds previously issued for any purpose relating to light rail, the people expect transit agencies to retire these bonds using reserve funds... ." and calls on the agency to put the issue to a vote of the people.

Initiative sponsors have said that ST is a major target of I-776, arguing that, for them, the issue is as much about accountability as it is tax relief.

Revenue losses resulting from repeal of the \$15 license fee would amount to about \$32 million in 2003 for city and county governments in the four counties imposing the tax, according to the Association of Washington Cities.



The fee imposed by the county is shared with cities on a population basis and can only be used for “transportation purposes,” in accordance with state law. Such purposes include street maintenance and repair, right-of-way acquisition, and road construction.

State government would lose about \$36.5 million in the 2003-2005 biennium from the reduction in license fees for light trucks.

Conclusion

The initiative poses several substantive problems.

It invites voters statewide to override local decisions with respect to Sound Transit. There are legitimate arguments surrounding the degree to which ST has strayed from the plan placed before the voters. Nonetheless, I-776 is not an appropriate device for reinvigorating local political discussion. And the legality of the repeal will certainly be tested in court should the initiative pass.

Local governments across the state are cutting budgets this year. The recession, the state’s inability to afford to backfill for the loss of MVET money resulting from I-695, and property tax limitations have combined to create uncommon fiscal distress. The relatively small taxpayer benefit accruing from repeal of the \$15 license fee – a local option tax imposed in only four counties – would be accompanied by concentrated revenue losses that would impair high-priority road maintenance and other local transportation services.

I-776 moves too aggressively to limit options at a time when policy decisions are increasingly devolving to local and regional authorities. And, the benefits it offers taxpayers seem disproportionately small relative to their collective impact on transportation infrastructure.

