

POLICY NOTE

Sound Transit officials over-value cars so they can get more money from taxpayers

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“Taxpayers have a right to view, understand, and verify the taxes they pay.”

“Sound Transit’s choice to mislead voters has hurt the public’s already declining trust in the agency.”

Introduction

Recently, I was invited to testify before the Senate Transportation Committee on Senate Bill 5893, which would reduce the unfairness of Sound Transit’s car tab taxes by requiring the agency to tax cars and trucks based on a fair estimate of a vehicle’s market value.

Of nearly 20 legislative bills prompted by Sound Transit’s car tab overcharges, only four would adequately address and eliminate the unfair overcharges taxpayers are receiving in the mail. Senate Bill 5893 is one of those four bills.¹ Below are comments from the testimony I gave on this proposed legislation.

Misleading statements in the 2016 Sound Transit 3 Mass Transit Guide

Sound Transit officials argue that voters approved car tab fees and that car tab information was available to the public when they voted last fall for Sound Transit 3 (ST3) taxes.

However, in the Mass Transit Guide that Sound Transit officials mailed to voters in October 2016, they stated that the measure would include, “A motor vehicle excise tax increase of 0.8 percent or \$80 annually for each \$10,000 of vehicle value.”

This statement is misleading because officials did not tell voters that the \$10,000 in vehicle value would be based on a repealed depreciation schedule that overvalues their cars and in effect, allows Sound Transit to collect maximum revenue from every car owner in the taxing district.

It was already evident that the Mass Transit Guide failed to provide information about the consequences of voting “No” on ST3, but now we know that it also failed to provide information about the consequences of voting “Yes.”

¹ Senate Bill 5893, concerning the administration of motor vehicle excise taxes by regional transit authorities, Washington State Legislature, March 17, 2017, at <http://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bills/Senate%20Bills/5893.pdf>

Missing information on the Department of Licensing website

Whether this information was available to taxpayers through the Department of Licensing website is also arguable.

Links to the depreciation schedule in law were available online at the Department of Licensing website going back to 2006.² The state agency, working with Sound Transit (formally referred to as the Regional Transit Authority or RTA), used to provide a direct link to an extensive transit excise tax schedule that showed exactly how much a driver would pay in each year of service based on the value range of their vehicles.³ In 2013, the website stated:

***How is the RTA tax calculated?** The RTA tax is an excise tax of 0.3%, which means it's calculated based on the value of your vehicle. For purposes of this tax, your vehicle's value is set by the state legislature and isn't based on fair market value. The laws that set the value of the vehicle are RCW 82.44.041⁴ and RCW 81.100.060.⁵*

On December 11, 2013, those RCW references and links were gone.

It is unknown why Department of Licensing officials removed the internet links to the old depreciation schedule that Sound Transit likes to use to calculate their car tab fees, but taxpayers have a right to view, understand and verify the taxes they pay. Taxpayers especially have a right to know when transit officials are asking voters to approve a major increase in car tab fees that is based on inflated vehicle values and an outdated depreciation schedule.

After officials removed the reference to the depreciation schedule in 2013, there was no mention of it again until December 23, 2016, *after* the passage of ST3 taxes. Even then, there was still no link or information provided as to which depreciation schedule Sound Transit officials planned to use when they imposed increased car tab fees.

Only in 2017, long after the information would have been of use to voters, did Department of Licensing officials place information on their website that shows the exact depreciation curve. Still, that webpage does not link to the repealed Revised Code of Washington provision that Sound Transit uses to impose taxes.

This is the depreciation schedule Sound Transit officials use to impose inflated car tab fees, which shows that vehicles are worth 95 percent of the manufacturer's suggested retail price in their second year of service:

2 Department of Licensing RTA Tax page between September 22, 2006 and March 21, 2017, Internet Archive Way Back Machine, at http://web.archive.org/web/20100501000000*/http://www.dol.wa.gov/vehicleregistration/rta.html

3 "Transit Excise Tax Fee: Transit Excise Tax Schedule," Washington State Department of Licensing, January 1, 2000, at <http://web.archive.org/web/20130928225637/http://www.dol.wa.gov/vehicleregistration/docs/RTAtaxschedule7.pdf>

4 RCW 82.44.041 (Repealed), Washington State Legislature, at <http://www.dol.wa.gov/vehicleregistration/docs/rcw82-44-041.pdf>

5 RCW 81.100.060: Imposition of surcharge (as amended by 2006 c311), Washington State Legislature, at <http://app.leg.wa.gov/rcw/default.aspx?cite=81.100.060>

Here are the depreciation tables [Sound Transit](http://www.soundtransit.org) (www.soundtransit.org) uses for RTA.

Depreciation Curve 1

Taxable value is based on vehicles age (year of service) and a base value established by the vehicle Manufacturer's Suggested Retail Price (MSRP) for passenger vehicles, motorcycles, light-duty trucks (scale weight of 6,000 pounds or less) and small trailers.

For passenger vehicles, motorcycles, light-duty trucks, and small trailers: Take the vehicle's MSRP, find the Year of Service (current calendar year - model year + 1 year = year of service) in this chart, and apply the corresponding percentage.

Year of Service	Percentage
1	100%
2	95%
3	89%
4	83%
5	74%
6	65%
7	57%
8	48%
9	40%
10	31%
11	22%
12	14%
13 or older	10%

Depreciation Curve 2

Vehicles licensed for commercial or log use and trucks with scale weight of 6,001 pounds or more:

Take the vehicles last purchase price and purchase year, find the Year of Service (current calendar year - model year = Year of Service) in the chart and apply the corresponding percentage.

Year of Service	Percentage
1	100%
2	90%
3	83%
4	75%
5	67%

Although the state Department of Licensing has always stated on their website that vehicles are not based on fair market values, the depreciation schedule was removed from their RTA tax page, and did not re-appear until 2017, long after ST3 taxes were passed last November.

Problems with Sound Transit's ST3 Tax Calculator

Sound Transit officials and their political supporters point to the ST3 Calculator as proof that taxpayers should have known what they were voting for. Their calculator requires that you put in what your car tabs taxes are today (before ST3 taxes are imposed), and multiplies them by a factor to show what you would pay if ST3 taxes were passed.

The method of calculation is hidden – not explicit – inside the ST3 Calculator. To understand the value of your vehicle and the methodology that Sound Transit officials chose to use, the voter would have to search outside of the calculator and outside of the voter's pamphlet.

This is not transparent, and effectively hides important information from the public.

This requires the voter to take extra steps and call the Department of Licensing or have some inner working knowledge of repealed and current state laws, which is information the average voter is not likely to have.

Instead of providing voters with clear and complete information, voters were asked to simply trust Sound Transit officials, even though the officials are not neutral and had a strong interest in the passage of ST3.



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Conclusion

Sound Transit's method of inflating the true value of vehicles to collect more in taxes is clearly unfair and designed in favor of the agency's financial interests. The real impact of ST3's new vehicle taxes was hidden from the public when the proposal was put to a vote. Even today, Sound Transit officials have done little to inform people of how the tax really works. Instead, they have deflected responsibility for their choice to overcharge taxpayers – shifting blame to voters, lawmakers, state laws, and the Department of Licensing.

As a result, Sound Transit's choice to mislead voters has hurt the public's already declining trust in the agency. Senate Bill 5893 would fix this problem and ensure that the public does not have to trust Sound Transit or anyone else. They would be able to trust what they have trusted for decades – Kelley Blue Book or National Auto Dealers Association – which provide fair market, rather than artificially inflated, vehicle values.