



POLICY BRIEF

Citizens' Guide to Seattle's Proposition 1:

To increase the sales tax and car fees to pay for current bus service in Seattle

By Bob Pishue
Director, WPC's Coles Center for Transportation

September 2014

Key Findings

1. *Seattle's Proposition 1 would increase annual car fees by \$60 to \$154, for the owner of a \$10,000 car. It would also increase the sales tax rate by 0.1 percent to 9.6 percent, on retail purchases in the City of Seattle. Sales tax at restaurants would rise to 9.6 percent, and sales tax on retail automobile purchases within the city would rise to 9.9 percent.*
2. *Proposition 1 would increase the yearly fee on each registered car, truck, motorcycle, trailer and motor home in Seattle by 64 percent based on a \$10,000 vehicle value.*
3. *Money collected under Proposition 1 would be spent to maintain current levels of bus service provided by King County Metro Transit to Seattleites.*
4. *Proposition 1's regressive taxes increase the city's financial burden on low-income citizens and unfairly targets drivers to pay more for Metro Transit. Increasing regressive taxes assigns a larger share of the tax burden to low-income citizens. As a person's income decreases, the proportion spent on essential expenses, including taxes, increases.*
5. *The public would spend more and receive less than they would have under King County's failed ballot measure earlier this year to maintain current levels of bus service.*



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Introduction

Seattle Mayor Ed Murray and the Seattle City Council are seeking a series of new taxes to pay for King County Metro Transit bus service. The new taxes will appear as Proposition 1 on the November 4th ballot. This Citizens' Guide describes the main provisions of Proposition 1, assesses the new tax burden that would fall on citizens and reviews recent actions by the King County Council to preserve bus service throughout the county without increasing taxes.

Background

King County Metro Transit agency was created in 1972. Operating as a monopoly, Metro provides bus service, vanpools and street car service throughout King County. Public funding for Metro Transit comes primarily from a 0.9 percent sales tax imposed on King County residents. Other taxes for Metro operations include a 6.5 cent per \$1,000 in value property tax and state and federal grants. Sound Transit imposes an additional sales tax of 0.9 percent to pay for regional transit services. Over the years, the tax burden Metro imposes on the public has steadily increased, represented mostly by a sales tax rate that has tripled since the agency's founding.¹

Earlier this year, King County officials threatened to cut 550,000 hours of bus service (about 16 percent of total service) if County voters did not agree to their proposal for a \$60 car tab and a sales tax increase. In April, County voters rejected the proposal 54 percent to 46 percent. Since then County officials have restored much of the bus service they had threatened to cut. Still, Seattle Mayor Ed Murray announced his plan to raise car tab fees by \$60 and increase the sales tax on Seattle residents and provide this money to Metro Transit. On July 17, 2014 the Seattle City Council voted to send Mayor Murray's two tax increases to the general election ballot.²

The special taxing district

The Seattle City Council created the special transportation tax district in 2010 and imposed a \$20 car tab fee in 2011. The tax district allows the City Council to impose up to \$100 in car tab fees indefinitely and increase the sales tax up to 0.2

1 "Citizen's Guide to Proposition 1," by Bob Pishue, Policy Brief, Washington Policy Center, April 2014, at washingtonpolicy.org/blog/post/citizen-percentE2-percent80-percent99s-guide-proposition-1.

2 "Seattle Transportation Benefit District, About STBD," City of Seattle, as viewed on August 18, 2014, at seattle.gov/stbd.

percent for a period of 10 years. The City Council can also impose tolls on city roads, increase local property taxes, and issue bonds. Taxes raised by the district can only be spent on transportation purposes like roads and transit. A new parks taxing district was also approved by Seattle voters in August.

Summary of Proposition 1

The new city taxes raised by the district would be given to King County Metro to maintain current levels of bus service throughout Seattle. The car tab and sales tax increase would be on top of the \$20 drivers now pay annually in Seattle-specific registration fees and would be in addition to a 9.5 percent sales tax currently collected within city borders. Subject to voter approval, the taxes would remain in place until the year 2020, and could be extended by voters.

Under Proposition 1, city residents would pay approximately \$45 million per year in new taxes. About \$40 million would be given to Metro for bus service, \$3 million dollars would go into a regional partnership fund and \$2 million dollars would go to funding a low-income rebate plan.

The current ballot summary for Proposition 1 says:³

“If approved, this proposition would fund Metro Transit service benefitting the City of Seattle, by preventing planned service cuts and, if funds allow, enhancing transit service, at least until state or regional authorities provide replacement revenues. The measure would authorize an additional \$60 per registered vehicle with a \$20 rebate for low-income individuals and authorize up to a 0.1 percent sales and use tax, both expiring by 12/31/2020, all as proposed in Resolution 12.

Should this proposition be approved?”

Yes No

Proposition 1’s tax increases

Adoption of the tax proposal would increase vehicle registration fees by \$60 within the City of Seattle. The annual fee would be on top of the city-imposed \$20 registration fee on cars, light trucks, travel trailers, motor homes and motorcycles for a total of \$80 in city registration fees. State and other local fees add \$73.75 to the yearly cost of registering each vehicle and trailer in Seattle.⁴ Therefore, under Proposition 1, a typical driver’s vehicle renewal would increase from \$93.75 to \$153.75, a 64 percent increase.⁵

For families making 45 percent of the median household income, the annual registration fee would increase by \$40 per vehicle after claiming a \$20 rebate, for a total of \$60 in car tab fees payable to the City of Seattle. Families that own more than one vehicle would pay the tax multiple times.

³ “Seattle Transportation Benefit District Resolution 12,” City of Seattle, July 17, 2014, at seattle.gov/stbd/documents/resolution_12_s.pdf.

⁴ Washington State Department of Licensing. Calculation based on a vehicle valued at \$10,000.

⁵ Ibid.

The 0.1 percent increase in the sales tax rate would bring the total sales tax imposed on residents in Seattle to 9.6 percent for most retail purchases. Sales tax at Seattle restaurants would increase to 9.6 percent and sales taxes on retail automobile purchases would rise to 9.9 percent.

There are three main points made by opponents of Seattle's Proposition 1:

1. The proposed taxes are regressive and would fall hardest on poor families;
2. It would force people to pay for Metro's current monopoly bus service while important public street improvements go underfunded;
3. Higher tax collections would continue even if ridership declines.

Falls hardest on the poor

Increasing regressive taxes assigns a larger share of the tax burden to low-income citizens. As a person's income decreases, the proportion spent on essential expenses, including taxes, increases. With Proposition 1, Seattle officials are asking poor residents to devote a larger share of their income to subsidizing public transportation for middle- and higher-income citizens.

County officials are considering ways to reduce the bus fare for low-income riders, but Proposition 1 would disproportionately burden all low-income families, whether or not they choose to ride the bus.

New taxes won't benefit drivers

Drivers would pay the bulk of the new taxes and unfairly bear the burden to pay for Metro's monopoly bus service while important public street needs go unmet. Transit officials say taxing drivers more to pay for transit benefits drivers by taking cars off the road, but trading a direct benefit (road funding) for an indirect benefit (transit funding) puts drivers at a severe disadvantage. In addition, the tax increases would continue even if ridership declines, eliminating any theoretical benefit that would be gained by taxing drivers.

Tax increases are not needed to maintain current bus service

Early in 2014 King County officials said they planned to cut 550,000 hours of bus service in King County, with the bulk coming from eliminating routes in Seattle.⁶ After the public rejected new tax increases in April, Mayor Ed Murray said the impending bus cuts constituted a "crisis" and proposed new tax increases to avoid cuts within the city.⁷ Recent action by the King County Council, however, has largely averted the crisis without raising regressive taxes.

⁶ "Financial Stability & Sustainability, Sept. 2014 Cuts," King County Metro Online website, as viewed August 18, 2014, at metro.kingcounty.gov/am/future/proposed-changes.html.

⁷ "Mayor calls bus cuts a 'crisis,' proposes tax increase to fund routes," by Tom Yazwinski, Q13 Fox News, May 13, 2014, at q13fox.com/2014/05/13/seattle-mayor-to-announce-plan-to-save-bus-routes/.

In July, the County Council passed an ordinance to preserve 95 percent of Metro bus service. Their ordinance would cut 161,000 hours of bus service this year, but reduce or eliminate their planned service cuts for 2015.

County Councilmember Rod Dembowski said better management of Metro's rising tax revenues and reducing expenses could "avoid service reductions proposed for 2015."⁸ He said the cuts planned in February 2015 "may be adjusted based on new economic data," and the ordinance "puts on hold" the cuts planned for June and September.⁹ Seattle officials, however, are still seeking passage of their ballot measure, arguing people in Seattle must pay higher regressive taxes now to avoid hefty service cuts.

According to *The Seattle Times*, the recent action by the County Council, "doesn't immediately alter Seattle's November ballot measure for a city-only increase in sales and car-tab taxes, to replace a now-unclear amount of bus service to be lost within the city."¹⁰

In other words, Seattle officials have placed the tax increases on the ballot as a solution to a problem that may no longer exist. As voters consider Proposition 1, it would be helpful for the Seattle City Council to provide more information on their plans, in light of the King County Council's reduction in planned bus cuts.

The public would spend more to receive less

King County's April ballot measure to increase car tab fees and the sales tax for Metro would have also sent \$16.5 million per year to Seattle for transportation purposes.¹¹ In contrast, Seattle's Proposition 1 offers nothing for street improvements. In addition, Seattle officials plan to divert money from the Seattle Department of Transportation budget to King County Metro to pay for late-night bus service even though Metro officials acknowledge many of those routes are inefficient. Consequently, Seattle taxpayers would be paying the same higher regressive taxes they would have paid under the King County ballot measure, but would receive less in services.

Conclusion

Proposition 1's regressive tax increases come at a time when Seattle voters are being asked to pay higher taxes for other new programs. Seattle voters recently approved an annual \$48 million tax hike to increase spending on parks. The Mayor and some City Councilmembers want to increase property taxes further to fund universal preschool, at \$15 million per year, and to raise taxes to renew and possibly expand the Bridging the Gap program, currently at \$40 million per year. The Mayor

8 "Metro Transit Update," by King County Councilmember Rod Dembowski, News Release, July 22, 2014 at kingcounty.gov/Dembowski.aspx.

9 Ibid.

10 "County Council hopes to avert one-third of bus-service cuts," by Mike Lindblom, *The Seattle Times*, July 21, 2014, at seattletimes.com/html/localnews/2024128928_transitcompromisexml.html.

11 "City of Seattle Resolution 31511," City of Seattle, March 18, 2014 at clerk.seattle.gov/public/meetingrecords/2014/fullcouncil20140324_6.pdf.

recently proposed a new public safety levy to increase spending on police and fire departments within the city. In addition, the future cost to Seattle taxpayers of fixing the stalled Bertha tunneling machine and completing the Alaskan Way Tunnel project are unknown.

Although Seattleites supported King County's April ballot measure to raise taxes, that may not translate into local support for Proposition 1. Under Seattle officials' plan, the public is being asked to spend more to receive less, to subsidize costly and inefficient transit and to unfairly punish drivers to benefit other travel modes. In addition, the proposal to raise taxes is based on the false idea that threatened bus cuts cannot be avoided, even though the King County Council is already reducing and eliminating its planned bus service cuts.

Given coming tax-increase proposals and recent action by the King County Council to preserve bus service without raising taxes, voters should carefully consider how Proposition 1's tax increases and future taxes add up and decide which measures will best serve the public interest.

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