

## TRANSPORTATION BENEFIT DISTRICT

Any city may establish a transportation benefit district (TBD) to generate revenue for specific transportation projects ([chapter 36.73 RCW](#)). Forming a TBD does not require voter approval, but some revenue options do require voter approval.

TBD revenue may be used for transportation improvements included in a local, regional, or state transportation plan ([RCW 36.73.015\(6\)](#)). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

The two primary revenue sources for TBDs are a voted sales tax of up to 0.2% with a limit of 10 years (see [Transportation Benefit District Sales Tax](#)) and a vehicle license fee up to \$50 (non-voted) or \$100 (voted) (see [Transportation Benefit District Vehicle License Fees](#)). However, Initiative 976, approved by voters in November 2019, repeals the authority of TBDs to impose vehicle license fees. Several jurisdictions have sued to challenge the initiative's constitutionality.

Other potential funding sources include a border area fuel tax for TBDs that include a Canadian border crossing (see [Border Area Fuel Tax](#)), general obligation bonds (see [G.O. Bond Excess Levies \(Capital Purposes\)](#)), one-year excess levies (see [Excess Levies \(Operations & Maintenance\)](#)), vehicle tolls, local improvement districts, and transportation impact fees (see [Impact Fees — Local Transportation Act \(LTA\)](#), but note that these impact fees are different than the impact fees allowed under the Growth Management Act).

TBDs may either be managed as a separate quasi-municipal entity governed by city council in an independent and ex officio capacity, or the TBD powers and authority can be "assumed" by the city under [chapter 36.74 RCW](#), in which case it will be folded into the city's transportation operations and cease to be a legally separate entity.

TBDs may also include other cities and counties, as well as port and transit districts, through interlocal agreement ([RCW 36.73.020\(2\)](#)).

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## TRANSPORTATION BENEFIT DISTRICT VEHICLE LICENSE FEES

[Initiative 976](#), approved by state voters in November 2019, repeals the authority of TBDs to impose vehicle license fees. Some jurisdictions have sued in an attempt to prevent the initiative from taking effect while they challenge its constitutionality. TBD sales taxes and other forms of TBD revenues remain in effect and are not impacted by 1-976.

Any city or town may form a transportation benefit district (TBD) under [chapter 36.73 RCW](#) to raise revenues for transportation purposes. TBDs may generate revenue through a variety of means, but the two most popular funding mechanisms are a voted sales tax up to 10 years and 0.2% (see [Transportation Benefit District Sales](#)) and a vehicle license fee ("car tab fee") up to \$100 as described below.

Any TBD (or city, if the city has "assumed" the TBD under [chapter 36.74 RCW](#)) may impose a vehicle license fee up to \$50 without voter approval, or up to \$100 with voter approval ([RCW 82.80.140](#), [RCW 36.73.040\(3\)\(b\)](#)), in addition to any vehicle license fees charged by the state.

Certain vehicles are exempt under [RCW 82.80.140\(6\)](#), including campers, farm vehicles, mopeds, off-road and non-highway vehicles, snowmobiles, and private use single-axle trailers.

The TBD vehicle license fee may be imposed in addition to the TBD sales tax if desired, and several jurisdictions have imposed both concurrently. It is worth noting that these two revenue options are imposed upon different sources — TBD vehicle license fees are paid solely by city residents who own vehicles, while TBD sales taxes are paid by anyone who makes retail purchases within the city. The amount of revenue a city can generate with each option will also vary depending on the rates imposed, the local economy, and the number of registered vehicles.

### **Non-Voted Vehicle License Fees Up to \$50**

The district may only impose a non-voted vehicle license fee up to \$20 initially. After a \$20 fee has been in effect for at least 24 months, the district may increase the fee up to \$40. After a \$40 fee has been in effect for at least 24 months, the district may increase the fee up to the maximum \$50. However, the portion of the fee above \$40 is subject to potential referendum as provided in [RCW 36.73.065\(6\)](#), even if your city has not otherwise adopted powers of initiative and referendum.

If a district imposes or increases its non-voted vehicle license fee that, when combined with fees previously imposed by another district within its boundaries, exceeds \$50, the district must provide a credit so that the combined vehicle fee does not exceed \$50.

Many cities have established non-voted TBD vehicle license fees.

### ***Voted Vehicle License Fees Over \$50***

Any vehicle license fee higher than the amounts listed previously, up to a maximum of \$100, must be approved by a simple majority of voters. The measure may be placed on the ballot at any special, primary,<sup>67</sup> or general election. According to MRSC's [Local Ballot Measure Database](#), Seattle is the only jurisdiction that has successfully passed a voted vehicle license fee, and even then its first attempt was unsuccessful. Other jurisdictions that have unsuccessfully attempted voted vehicle license fees in the past include King County and the cities of Bremerton, Burien, and Edmonds.<sup>68</sup>

### ***Use of Revenues***

The revenues may be used for eligible "transportation improvements" listed in a local, regional, or state transportation plan in accordance with [chapter 36.73 RCW](#). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

However, [RCW 82.80.140](#) states that the revenue may not be used for passenger-only ferry improvements unless the vehicle license fee is approved by voters.

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<sup>67</sup> [RCW 36.73.065\(1\)](#) states that the tax must be submitted at "a general or special election," which at first glance might seem to rule out the August primary election. However, [RCW 29A.04.321\(2\)](#), which establishes the election schedule for local governments, authorizes the county to call up to four "special elections" each year, including the primary election. So for these purposes, "special election" includes the primary election.

<sup>68</sup> Bremerton, Burien, and Edmonds all attempted voted vehicle license fees in 2008-2009 under prior legislation, when non-voted fees were capped at \$20. The legislation has since been amended to allow non-voted vehicle license fees up to \$50.

## TRANSPORTATION BENEFIT DISTRICT SALES TAX

### Quick Summary

- Sales tax up to 0.2% — revenues are restricted and must be used for transportation.
- May be imposed by any city or town that has established a transportation benefit district.
- Maximum duration of 10 years unless used for repayment of debt; may be renewed once.
- Requires voter approval.

**RCW: [82.14.0455](#), [36.73.040\(3\)\(a\)](#), [36.73.065\(1\)](#)**

Any city that has formed a transportation benefit district (TBD) may impose a sales tax up to 0.2% to fund TBD projects ([RCW 82.14.0455](#), [RCW 36.73.040\(3\)\(a\)](#), and [RCW 36.73.065\(1\)](#)). Unlike most sales tax options, the TBD sales tax is limited in duration. A successful ballot measure is only imposed for 10 years, with the ability to place this same sales tax option back before the voters for one additional 10-year period. A TBD sales tax may only exceed 10 years if it is used for the repayment of debt.

### **Use of Revenues**

The revenues may be used for eligible "transportation improvements" listed in a local, regional, or state transportation plan in accordance with [chapter 36.73 RCW](#). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

### **Ballot Measure Requirements**

The sales tax must be approved by a simple majority of voters and may be placed on the ballot at any special, primary,<sup>37</sup> or general election ([RCW 36.73.065](#)). The proposition must include a specific description of the transportation improvement(s) proposed by the district and the proposed tax to be imposed. If the sales tax will be used for the repayment of debt in excess of 10 years, the ballot measure should state so and provide the length of the tax obligation.

According to MRSC's [Local Ballot Measure Database](#), cities have submitted dozens of these measures in recent years, and voters have approved the vast majority of them.

### **Revenue Sharing**

There are no revenue-sharing provisions. The TBD (or city, if the city has "assumed" the TBD under [chapter 3634 RCW](#)) retains 100% of the revenues, minus a 1% administrative fee for the Department of Revenue.

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## TIMING OF SALES TAX RECEIPTS

Most retailers remit their sales taxes to the Department of Revenue (DOR) on a monthly basis, with remittance due by the 25th of the following month.<sup>38</sup> The DOR distributes those collections, plus interest, to local governments on the last business day of the following month after subtracting a small administrative fee.<sup>39</sup>

This means that for most purchases, there is somewhere between a 60-day to 90-day time lag between collection (the actual retail sale) and the city's receipt of the sales tax revenue from that sale. For instance, if a sale is made in January — regardless of whether the sale took place on January 1 or January 31 — the sales tax is typically remitted to DOR by February 25, and DOR would then distribute the money (minus the administrative fee) to the city around March 31.

Local sales tax revenues are in DOR's possession for approximately one month prior to distribution and accrue interest during that time. Interest earned on the funds collected is paid to the city under the provisions of [RCW 82.14.050](#).

## TIMING OF SALES TAX RATE CHANGES

Increases in sales tax rates require some timing considerations. [RCW 82.14.055](#) provides that a local sales tax change may take effect no sooner than 75 calendar days after DOR receives notice of the change, and sales tax rate changes may only take effect on January 1, April 1, or July 1. (Note that sales tax rates no longer change on October 1.

### Summary of Sales Tax Rate Change Deadlines

Sales tax takes effect	DOR must be notified no later than:	(For voted measures) Voters must approve no later than:
January 1	October 18	August primary election
April 1	January 16 ( <i>January 17 during leap years</i> )	November general election
July 1	April 17	February special election

However, if a sales tax is a credit against the 6.5% state sales tax (such as the "basic" lodging tax discussed later in the *Revenue Guide*), it may take effect no sooner than 30 days after DOR receives notice, and only on the first day of a month.

Notifying DOR is a key step to ensure your city receives its sales tax revenues on time. Cities should submit copies of the sales tax ordinance (or ballot measure resolution) to Ashley Boss, DOR Tax Administration, at [ashleyb@dor.wa.gov](mailto:ashleyb@dor.wa.gov). For non-voted sales taxes, the sales tax ordinance should be submitted to DOR as soon as city council adopts it. For voted sales taxes, the ballot measure resolution should be submitted to DOR as soon as possible following certification of the election results.

For additional guidance, see [Key Considerations for Voted Revenue Sources](#).

<sup>38</sup> [RCW 82.32.045](#) and [WAC 458-20-22801](#). The Department of Revenue can waive tax remittance for persons with gross sales less than \$28,000 per year or make the administrative decision to put smaller taxpayers on an annual or quarterly payment schedule.

<sup>39</sup> [RCW 82.14.050](#) - .060