

Multiple Agency Fiscal Note Summary

Bill Number: 2043 P S HB	Title: Transportation resources
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(11,780,000)	(11,780,000)	275,321,000	(2,220,000)	(2,220,000)	452,360,000	0	0	474,780,000
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	(11,780,000)	(11,780,000)	275,321,000	(2,220,000)	(2,220,000)	452,360,000	0	0	474,780,000

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Total		(5,395,500)		(1,019,700)		
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(5,395,500)		(1,019,700)		
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	3.0	943,600	943,600	943,600	.8	171,200	171,200	171,200	.6	141,600	141,600	141,600
Department of Licensing	3.8	0	0	1,613,000	4.0	0	0	1,474,000	4.0	0	0	1,474,000
Department of Transportation	Fiscal note not available											
County Road Administration Board	Fiscal note not available											
Transportation Improvement Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	6.8	943,600	943,600	2,556,600	4.8	171,200	171,200	1,645,200	4.6	141,600	141,600	1,615,600

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	Fiscal note not available								
County Road Administration Board	Fiscal note not available								
Transportation Improvement Board	.0	0	0	.0	0	0	.0	0	0
Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Preliminary 4/ 8/2025
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Department of Revenue Fiscal Note

Bill Number: 2043 P S HB	Title: Transportation resources	Agency: 140-Department of Revenue
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(1,690,000)	(10,090,000)	(11,780,000)	(2,220,000)	
Motor Vehicle Account-State 02 - Lic., Permits & Fees 96 - Replace Tire Fe	7,960,000	21,813,000	29,773,000	44,684,000	46,880,000
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax	62,720,000	194,630,000	257,350,000	409,900,000	427,900,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(2,000)	(20,000)	(22,000)	(4,000)	
Total \$	68,988,000	206,333,000	275,321,000	452,360,000	474,780,000

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.7	1.3	3.0	0.8	0.6
Account					
GF-STATE-State 001-1	794,100	149,500	943,600	171,200	141,600
Total \$	794,100	149,500	943,600	171,200	141,600

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

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If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

Legislative Contact: Michael Hirsch	Phone: (603) 60-786-7195	Date: 03/25/2025
Agency Preparation: Alex Merk-Dyes	Phone: (603) 60-534-1601	Date: 03/28/2025
Agency Approval: Marianne McIntosh	Phone: (603) 60-534-1505	Date: 03/28/2025
OFM Review: Megan Tudor	Phone: (603) 60-890-1722	Date: 04/08/2025

Request # 2043-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects language in PSHB 2043, 2025 Legislative Session.

This fiscal note only addresses sections II, III, and V of the bill, which impact the Department of Revenue (department).

CURRENT LAW:

PART II: VEHICLE-RELATED FEES

TIRE FEE

A fee of \$1 fee applies to every retail sale of a new replacement vehicle tire.

The seller retains 10% of the tire fee, and the department deposits the remaining 90% into the Waste Tire Removal Account.

PART III: SALES AND USE TAXES ON MOTOR VEHICLES

MOTOR VEHICLE SALES TAX

Retail sales or use taxes apply to a retail sale, lease, or transfer of a motor vehicle. An additional 0.3% sales or use tax applies to the sale, lease, or transfer of a motor vehicle licensed for on-road use. This additional tax is referred to as the motor vehicle sales/lease tax. The motor vehicle sales/lease tax does not apply to the retail rental of a motor vehicle.

Motor vehicles exclude:

- Farm tractors or vehicles
- Off-road vehicles
- Nonhighway vehicles
- Snowmobiles

PART V: ZERO EMISSION VEHICLE TAX INCENTIVES

ZERO EMISSION BUSES

Zero emission buses are exempt from sales and use taxes. A zero emission bus means a bus that emits no exhaust gas from the onboard source of power other than water vapor.

This exemption expires July 1, 2025.

PROPOSAL:

PART II: VEHICLE-RELATED FEES

TIRE FEE

This bill increases the tire fee on the retail sale of new replacement vehicle tires to \$5 and deposits:

- \$4 in the motor vehicle fund.
- \$0.90 in the Waste Tire Removal Account.

The seller retains the final \$0.10.

PART III: SALES AND USE TAXES ON MOTOR VEHICLES

MOTOR VEHICLE SALES TAX

Beginning January 1, 2026, the additional sales and use taxes on each retail sale of a motor vehicle increases 0.7% to a total of 1.0%. This increase does not apply to the retail rental of a motor vehicle.

This bill creates a tiered tax on the sale or lease of motor vehicles with a price or value exceeding \$50,000.

The tax is equal to:

- A 1% tax rate applies to the portion of the sale or lease between \$50,000 and \$100,000.
- An additional 1% (2% total) applies to the portion of the sale or lease above \$100,000.

The tax does not apply to the sale or lease of a commercial motor vehicle or motor vehicle with a gross vehicle weight rating of more than 10,000 pounds unless it's a motor home.

A motor vehicle is a device capable of moving on a public highway and in, upon, or by which any person or property may be transported on a public road.

Commercial motor vehicle is defined as the following:

- The vehicle has a gross combination weight rating (GCWR) or gross combination weight (GCW) of 11,794 kg (26,001 lbs) or more, whichever is greater. This includes any towed unit or units with a gross vehicle weight rating (GVWR) or gross vehicle weight (GVW) of over 4,536 kg (10,000 lbs), whichever is greater.
- GCWR or GCW of 11,794 kilograms or (26,001 pounds or more), whichever is greater.
- Transports 16 or more passengers, including the driver.
- Of any size and used to transport hazardous materials.
- A school bus, regardless of size.

The revenue generated must be deposited into the multimodal transportation account.

PART V: ZERO EMISSION VEHICLE TAX INCENTIVES

ZERO EMISSION BUSES

This bill provides a sales and use taxes exemption for zero emission buses purchased by a transit agency or federally-recognized Indian tribe to provide public transportation services.

"Transit agency" is defined as a city-owned transit system, county transportation authority, metropolitan municipal corporation, public transportation benefit area, unincorporated transportation benefit area, or regional transit authority.

The buyer must provide the seller with a department-provided sales and use taxes exemption certificate. The seller must keep the exemption certificate copy.

On the last day of February, May, August, and November of each year, the state treasurer must transfer from the Carbon Emissions Reduction Account to the General Fund the amount equal to the dollar amount that would have been deposited in the General Fund during the prior calendar quarter.

By July 1, 2026, and every six months after, the department must report to the transportation committees of the Legislature the following information on zero emission buses:

- Cumulative number of vehicles that qualified for the exemption by purchase month and vehicle make and model.

- Dollar amount of all exempted state sales and use taxes.

The department must provide the following monthly website notifications:

- Amount of all exempted sales and use taxes.
- Exempt sales and use taxes amount remaining before the \$14 million cap is met.
- Expiration date of sales and use taxes exemption.

The exemption expires after the last day of the calendar month immediately following the month when total exemptions reach \$14 million.

EFFECTIVE DATE:

The zero emission bus exemption (Part V) takes effect July 1, 2025. The tire fee (Part II) and motor vehicle sales tax (Part III) takes effect January 1, 2026. The luxury vehicle tax (Part III) takes effect July 1, 2026.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

PART II: VEHICLE-RELATED FEES

TIRE FEE

- This legislation takes effect January 1, 2026, and impacts five months of collections in fiscal year 2026.
- The growth for tire sales reflects the department's Non-General Fund November 2024 forecast for replacement vehicle tire fees.

PART III: SALES AND USE TAXES ON MOTOR VEHICLES

MOTOR VEHICLE SALES TAX

- This legislation takes effect January 1, 2026, and impacts five months of collections in fiscal year 2026.
- The annual growth rate reflects the Transportation Revenue Forecast Council's November 2024 vehicle sales tax forecast.
- The additional tiered sales and use taxes on higher-value vehicles take effect July 1, 2026, and impacts 11 months of collections in fiscal year 2027.
- Between fiscal years 2022 and 2024, around 88,000 motor vehicles worth more than \$50,000 were purchased annually. During the same period, approximately 7,300 motor vehicles valued at over \$100,000 were purchased each year.
- This estimate includes the following types of vehicles from the Department of Licensing data:
 - Passenger vehicles.
 - Antique vehicles.
 - Motorcycles.
 - Motorhomes.
 - Trucks.
 - Medium-speed electric passenger vehicles.
- This estimate excludes off-road vehicles, including all-terrain vehicles, commercial vehicles, and vehicles with a GVWR over 10,000 lbs.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 automobile sales forecast.

PART V: ZERO EMISSION VEHICLE TAX INCENTIVES

ZERO EMISSION BUSES

- This legislation takes effect July 1, 2025, and impacts 11 months of collections in fiscal year 2026.
- The current language in the bill states that the program cap is met when the total exempt amount reaches \$14 million. The

total exempt amount includes state and local sales and use taxes, which is not the intent. The intent is for the cap to be based on the total exempt state sales and use taxes. If the bill is not changed in the substitute version, then the department will need to revise the fiscal note to reflect the bill as written, and the cap will be met sooner.

- The program cap of \$14 million in state sales and use taxes will be met in quarter one of fiscal year 2028.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3%.
- The demand for electric buses will grow 5.5% annually due to government initiatives and grants to purchase renewable energy buses.
- King County Metro plans to purchase 250 electric buses in 2027 and operate a 100% zero-emissions fleet by 2035.
- C-TRAN plans on purchasing 37 zero emissions buses in 2025-2027 and 32 in 2032-2033.
- Other transit agencies will be upgrading their fleets with electric buses as funding allows, but at a slower pace than King County Metro and C-TRAN.

DATA SOURCES

- Department of Revenue, Non-General Fund forecast, November 2024
- Department of Licensing, Motor vehicle data
- Transportation Revenue Forecast Council, November 2024 forecast
- Economic and Revenue Forecast Council, November 2024 forecast
- J.D. Power, How Much Does a Truck Weigh?
- The Car Guide, Luxury Tax on \$100,000 Cars Coming Into Effect Today
- Department of Revenue, Excise tax returns
- Mordor Intelligence, "North America Electric Bus Market- Size, Share, COVID-19 Impact and Forecasts up to 2028 report."
<https://www.mordorintelligence.com/industry-reports/north-america-electric-bus-market>
- Department of Ecology, (2019, June 12). "50 Electric Buses Coming to Washington Transit Agencies."
<https://ecology.wa.gov/About-us/Who-we-are/News/2019/June-12-50-electric-buses-coming-to-Washington-tra>
- King County Metro, (2022, April 8). "Transitioning to a Zero-emissions Fleet."
<https://kingcounty.gov/depts/transportation/metro/programs-projects/innovation-technology/zero-emission-fleet.aspx>
- C-TRAN Zero Emission Bus Transition Plan
https://mail.c-tran.com/images/Blog/2023-01-30/CTRAN_Zero_Emission_Bus_Transition_Plan_-_update.pdf

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$69 million in the 11 months of impacted collections in fiscal year 2026, and by \$206.3 million in fiscal year 2027, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$780,000 in the 11 months of impacted collections in fiscal year 2026, and by \$4.67 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 68,988
FY 2027 -	\$ 206,333
FY 2028 -	\$ 222,536
FY 2029 -	\$ 229,824
FY 2030 -	\$ 234,847

FY 2031 - \$ 239,933

Local Government, if applicable (cash basis, \$000):

FY 2026 - (\$ 780)
FY 2027 - (\$ 4,670)
FY 2028 - (\$ 1,030)
FY 2029 - \$ 0
FY 2030 - \$ 0
FY 2031 - \$ 0

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This bill affects 5,000 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$794,100 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 4.66 FTEs.

- Amend three administrative rules.
- Adopt one administrative rule.
- Create four special notices and update relevant information on the department's website.
- Respond to data requests and questions, compile statistics, and manage data.
- Set up, program, and test computer system changes.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.
 - Gathering requirements, attending implementation meetings, and documenting and testing system changes.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.
 - Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
 - Test, review, and adjust accounting reports.
 - Routine audits will require additional time due to the reporting changes.
 - Contact taxpayers and resolve outstanding delinquencies.

Object Costs - \$172,900.

- Computer system changes, including contract programming.
- Printing and postage.

SECOND YEAR COSTS:

The department will incur total costs of \$149,500 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.3 FTEs.

- Continue to test, review, and adjust accounting reports.
- Continue processing tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.

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- Continue to examine accounts and make corrections as necessary.
- Continue to respond to data requests and questions, compile statistics, and manage data.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$171,200 and include similar activities described in the second-year costs. Time and effort equate to 0.75 FTE per year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.7	1.3	3.0	0.8	0.6
A-Salaries and Wages	391,900	94,400	486,300	107,900	89,400
B-Employee Benefits	141,200	34,100	175,300	38,900	32,200
C-Professional Service Contracts	172,700		172,700		
E-Goods and Other Services	68,900	18,500	87,400	21,500	17,600
G-Travel	800		800		
J-Capital Outlays	18,600	2,500	21,100	2,900	2,400
Total \$	\$794,100	\$149,500	\$943,600	\$171,200	\$141,600

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635	0.0		0.0		
EMS BAND 5	158,451	0.0		0.0		
EXCISE TAX EX 2	59,844	0.5	0.4	0.5	0.2	0.1
EXCISE TAX EX 3	66,012	0.3	0.3	0.3	0.2	0.1
FISCAL ANALYST 4	67,716	0.2	0.2	0.2	0.2	0.2
IT B A-JOURNEY	94,728	1.3	0.2	0.8	0.1	0.1
IT B A-SR/SPEC	104,412	0.2		0.1		
IT QA-JOURNEY	94,728	0.2		0.1		
IT QA-SR/SPEC	104,412	0.2		0.1		
IT SYS ADM-JOURNEY	99,444	0.4		0.2		
MGMT ANALYST4	78,468	0.0		0.0		
REVENUE AGENT 3	67,716	0.2		0.1		
REVENUE AUDITOR 3	72,924	0.1		0.1		
TAX INFO SPEC 1	47,988	0.2		0.1		
TAX POLICY SP 2	80,460	0.2		0.1		
TAX POLICY SP 3	91,068	0.5	0.2	0.4	0.1	0.1
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.0		0.0		
Total FTEs		4.7	1.3	3.0	0.8	0.6

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

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IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend three administrative rules.

- WAC 458-20-195, titled: "Taxes, deductibility."
- WAC 458-20-272, titled: "Tire fee—Studded tire fee—Core deposits or credits."
- WAC 458-20-282, titled: "Marketplace tax collection and reporting."

Should this legislation become law, the department will use the standard process to adopt one new rule under chapter 458-20 WAC.

This rulemaking would affect:

- Customers and companies for rental cars and car sharing.
- Buyers and sellers of luxury vehicles, zero emission buses, and tires.

Individual State Agency Fiscal Note

Bill Number: 2043 P S HB	Title: Transportation resources	Agency: 240-Department of Licensing
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.
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Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.6	4.0	3.8	4.0	4.0
Account					
Motor Vehicle Account-State 108 -1	876,000	737,000	1,613,000	1,474,000	1,474,000
Total \$	876,000	737,000	1,613,000	1,474,000	1,474,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Michael Hirsch	Phone: 360-786-7195	Date: 03/25/2025
Agency Preparation: Gerrit Eades	Phone: (360) 902-3931	Date: 04/03/2025
Agency Approval: Collin Ashley	Phone: (564) 669-9190	Date: 04/03/2025
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 04/03/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 101 is a new section establishing a methodology for annual inflation-based fuel tax increases. (The effective date is July 1, 2025)

Section 102 amends RCW 82.38.030 increasing fuel taxes (9 cents per gallon for regular fuel, 3 cents for special fuel) and introduces annual inflation adjustments starting in 2026.
(The effective date is July 1, 2025)

Section 103 amends RCW 82.38.075 adjusting license fees for fuel licensees based on fuel tax rates.
(The effective date is July 1, 2025)

Section 104 amends RCW 46.68.090 distributing fuel tax revenue; 6% to cities, 6% to counties, and the remainder to the motor vehicle fund.
(The effective date is July 1, 2025)

Section 201 is a new section establishing an inflation-based methodology for adjusting vehicle-related fees.
(The effective date is January 1, 2026)

Sections 202-203 amend RCWs 46.17.005 and 46.17.040 increasing vehicle registration, title filing, and service fees.
(The effective dates are January 1, 2026)

Sections 204-205 amend RCWs 46.17.323 and 46.17.324 expanding and adjusting electric vehicle registration and electrification fees.
(The effective dates are July 1, 2026)

Section 206 creates a new section in chapter 46.17 RCW introducing a new Highway Use Fee for certain fuel-efficient vehicles based on fuel economy ratings.
(The effective date is July 1, 2026)

Sections 207-209 amend RCW 46.17.355 and RCW 46.17.365 increasing passenger vehicle weight fees and adjusts them annually starting in 2028.
(The effective dates are January 1, 2026, and July 1, 2027)

Sections 210-214 amend RCWs 70A.205.405, 70A.205.425, 46.17.380, and 46.68.175 increasing tire replacement fees and adjusting abandoned RV fees and spending authority.
(The effective dates are January 1, 2026)

Section 301 amends RCW 82.08.020 increasing the vehicle sales and use tax from 0.3% to 1%.
(The effective date is January 1, 2026)

Sections 302-303 add a new section to chapter 82.08 RCW adding an additional 1% tax on passenger vehicles over \$50,000 and another 1% for vehicles over \$100,000.
(The effective date is July 1, 2026)

Section 501 is a new section directing a performance evaluation of tax exemptions for zero-emission transit buses.
(The effective date is July 1, 2025)

Sections 502-503 create new sections in chapters 82.08 and 81.12 RCWs exempting zero-emission buses from certain vehicle sales, rental, and use taxes.
(The effective dates are July 1, 2025)

Sections 702-709 establish staggered effective dates for different provisions, from July 1, 2025, to July 1, 2027.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached fiscal note.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached fiscal note.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
108-1	Motor Vehicle Account	State	876,000	737,000	1,613,000	1,474,000	1,474,000
Total \$			876,000	737,000	1,613,000	1,474,000	1,474,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.6	4.0	3.8	4.0	4.0
A-Salaries and Wages	311,000	328,000	639,000	656,000	656,000
B-Employee Benefits	108,000	116,000	224,000	232,000	232,000
C-Professional Service Contracts					
E-Goods and Other Services	457,000	293,000	750,000	586,000	586,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	876,000	737,000	1,613,000	1,474,000	1,474,000

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Customer Service Specialist 2	50,330	0.7	1.4	1.1	1.4	1.4
Licensing Services Representative 1	58,376	0.3		0.2		
Management Analyst 5	98,040	2.0	2.0	2.0	2.0	2.0
Tax Policy Specialist 3	103,008	0.6	0.6	0.6	0.6	0.6
Total FTEs		3.6	4.0	3.8	4.0	4.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Rulemaking may be required based on section 206(4) which creates a new section in chapter 46.17 RCW.

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: PSHB 2043

Bill Title: Concerning transportation resources

Part 1: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts:

INDETERMINATE; PLEASE SEE NARRATIVE

Estimated Expenditures:

		FY 26	FY 27	25-27 Total	27-29 Total	29-31 Total
FTE Staff Years		3.6	4.0	3.9	4.0	4.0
Operating Expenditures	Fund	FY 26	FY 27	25-27 Total	27-29 Total	29-31 Total
Motor Vehicle	108	876,000	737,000	1,613,000	1,474,000	1,474,000
Account Totals		876,000	737,000	1,613,000	1,474,000	1,474,000

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions.

- ☐ If the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☒ If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date:
Agency Preparation: Gerrit Eades	Phone: (360) 867-8233	Date: 03/28/2025
Agency Approval: Collin Ashley	Phone: (360) 634-5384	Date: 03/28/2025

Request #	1
Bill #	2043 PSHB

Part 2 – Explanation

This bill aims to secure sustainable funding for Washington State’s transportation infrastructure, with a focus on inflation adjustments, fair distribution of tax revenue, and investment in low-emission transportation initiatives.

2.A – Brief Description Of What The Measure Does That Has Fiscal Impact

Section 101 is a new section establishing a methodology for annual inflation-based fuel tax increases.
(The effective date is July 1, 2025)

Section 102 amends RCW 82.38.030 increasing fuel taxes (9 cents per gallon for regular fuel, 3 cents for special fuel) and introduces annual inflation adjustments starting in 2026.
(The effective date is July 1, 2025)

Section 103 amends RCW 82.38.075 adjusting license fees for fuel licensees based on fuel tax rates.
(The effective date is July 1, 2025)

Section 104 amends RCW 46.68.090 distributing fuel tax revenue; 6% to cities, 6% to counties, and the remainder to the motor vehicle fund.
(The effective date is July 1, 2025)

Section 201 is a new section establishing an inflation-based methodology for adjusting vehicle-related fees.
(The effective date is January 1, 2026)

Sections 202-203 amend RCWs 46.17.005 and 46.17.040 increasing vehicle registration, title filing, and service fees.
(The effective dates are January 1, 2026)

Sections 204-205 amend RCWs 46.17.323 and 46.17.324 expanding and adjusting electric vehicle registration and electrification fees.
(The effective dates are July 1, 2026)

Section 206 creates a new section in chapter 46.17 RCW introducing a new Highway Use Fee for certain fuel-efficient vehicles based on fuel economy ratings.
(The effective date is July 1, 2026)

Sections 207-209 amend RCW 46.17.355 and RCW 46.17.365 increasing passenger vehicle weight fees and adjusts them annually starting in 2028.
(The effective dates are January 1, 2026, and July 1, 2027)

Sections 210-214 amend RCWs 70A.205.405, 70A.205.425, 46.17.380, and 46.68.175 increasing tire replacement fees and adjusting abandoned RV fees and spending authority.
(The effective dates are January 1, 2026)

Section 301 amends RCW 82.08.020 increasing the vehicle sales and use tax from 0.3% to 1%.
(The effective date is January 1, 2026)

Sections 302-303 add a new section to chapter 82.08 RCW adding an additional 1% tax on passenger vehicles over \$50,000 and another 1% for vehicles over \$100,000.
(The effective date is July 1, 2026)

Section 501 is a new section directing a performance evaluation of tax exemptions for zero-emission transit buses.
(The effective date is July 1, 2025)

Sections 502-503 create new sections in chapters 82.08 and 81.12 RCWs exempting zero-emission buses from certain vehicle sales, rental, and use taxes.
(The effective dates are July 1, 2025)

Sections 702-709 establish staggered effective dates for different provisions, from July 1, 2025, to July 1, 2027.

2.B - Cash receipts Impact

This bill increases a variety of transportation taxes & fees collected by DOL, introduces rate indexing using implicit price deflator for BEA's personal consumption expenditures to certain transportation taxes and fees, and directs most of the additional revenue to the Motor Vehicle Account. The total revenue impact is indeterminate.

Motor Vehicle Fuel Tax (MVFT)

- Effective July 1, 2025:
 - Gasoline tax increases by \$0.09 per gallon (from \$0.494 to \$0.58 per gallon).
 - Special fuel tax increases by \$0.12 per gallon (from \$0.494 to \$0.614 per gallon).
- Effective July 1, 2026, and annually thereafter:
 - MVFT tax (both gasoline and special fuel) increases by the IPD PCE inflationary index.
- Effective July 1, 2027:
 - Special fuel tax set as gasoline tax plus \$0.06 per gallon.
- Effective July 1, 2028, and annually thereafter:
 - Special fuel tax increases by the IPD PCE inflationary index.
- Revenue Distribution:
 - 88% to Motor Vehicle Account (108).
 - 6% to Cities.
 - 6% to Counties.
 - Note: Revenue distribution has a two-month lag from the effective date of the rate increase.

Annual License Fee for Liquefied Natural Gas, Compressed Natural Gas, or Propane-Fueled Vehicles

- Effective July 1, 2025:
 - Fee schedule is multiplied by the special fuel tax rate.
 - Deposited to Motor Vehicle Account (108).

Electric Vehicle (EV) Fees

- Effective July 1, 2026:
 - EV Fee (RCW 46.17.323) applies to both original and renewal registrations (currently applies only to renewals).
 - Transportation Electrification Fee (TEF) (RCW 46.17.324) applies to both original and renewal registrations.

- TEF requirement for hybrid vehicles is eliminated.
- Rates for EV Fee and TEF (for vehicles and motorcycles) increase using the IPD PCE inflationary index annually.
- Revenue Distribution:
 - Deposited to Motor Vehicle Account (108), Rural Arterial Trust Account (102), and Transportation Improvement Account (144).

Title and Registration Service Fees

- Effective January 1, 2026:
 - Title-Related Service Fee increases by \$3 (from \$15 to \$18).
 - Registration renewal, transit permit issuance, and other services under RCW 46.17.040 increase by \$3 (from \$8 to \$11).
 - Revenue Distribution:
 - Deposited to Capital Vessel Replacement Account (18J).
 - Note: This analysis includes only state revenue impact.

Filing Fees

- Effective January 1, 2026:
 - Vehicle registration filing fee increases by \$1.50 (from \$4.50 to \$6).
 - Certificate of title filing fee increases by \$1 (from \$5.50 to \$6.50).
 - Revenue Distribution:
 - Deposited to Highway Safety Account (106).
 - Note: This analysis includes only state revenue impact.

License Fees by Weight

- Effective January 1, 2026:
 - Schedule A and B fees increase for GVW below 66,000 lbs.
 - Rate indexing applied annually, rounded to the nearest \$0.05.
 - Revenue Distribution:
 - 22.36% to State Patrol Highway Account (081).
 - 11.533% to Transportation Partnership Account (09H).
 - 59.495% to Motor Vehicle Account (108).
 - 1.375% to Puget Sound Ferry Operations Account (109).
 - 5.237% to Transportation 2003 'Nickel' Account (550).

Passenger Vehicle Weight Fee

- Effective January 1, 2026:
 - Fee increases for passenger vehicles over 6,000 lbs. based on a new schedule.
- Effective July 1, 2027:
 - Further increase for the same weight classes.
- Effective July 1, 2028, and annually thereafter:
 - Rate indexing applied to the entire passenger vehicle weight fee schedule, rounded to the nearest \$0.05.
 - Revenue Distribution:
 - Deposited to Multimodal Account (218).

Highway Use Fee (HUF)

- Effective July 1, 2026:
 - Before registration application approval, applicants must pay a highway use fee.
- Exemptions:
 - Electric and plug-in hybrids required to pay the electric vehicle registration fee.
 - Vehicles with a combined fuel economy rating under 25 MPG.
 - Motorcycles.

- Vehicles not registered for on-road use.
- Vehicles designed for a maximum speed of 35 mph or less.
- Vehicles with a gross weight rating over 10,000 lbs.
- HUF Calculation:
 - $HUF = ((9,500 * \text{gasoline tax rate} / 25) - (9,500 * \text{gasoline tax rate} / \text{assessed vehicle combined fuel rating})) * 0.85$.
 - Amount rounded to the nearest \$0.05.
 - Revenue Distribution:
 - Deposited to Motor Vehicle Account (108).

The impact on cash receipts is indeterminate due to the following unavailable data:

- DOL does not have data on WA registered vehicles combined fuel efficiency and therefore cannot provide a revenue estimate for the HUF program.
- Data for future IPD PCE inflationary adjustment factor is not available as it is a statistical measure based on a look-back period. The compounded difference of the actuals index vs placeholder may sway the estimate variance greatly, especially in the longer estimate horizon.

However, the table below represents a revenue scenario that analyzes all DOL-related revenue provisions, excluding the Highway Use Fee (HUF). This scenario assumes a 2% placeholder for the inflationary index adjustment.

For the HUF estimate, the scenario is using House Legislative Staff's revenue model estimate. DOL could not verify the applicability of the vehicle fuel efficiency mix used in this House model to the mix of vehicles registered in Washington State. Due to these factors, the HUF estimate is not included in the total estimate.

The House model estimated \$62.2 million additional revenue in Motor Vehicle Account (108) for Biennium 2025-2027.

Revenue Impact

Fund Name	Fund Code	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Motor Vehicle Fund	108	\$ 228,445,700	\$ 324,001,579	\$ 374,680,201	\$ 416,603,014	\$ 454,441,630	\$ 494,730,963	\$ 527,545,145	\$ 569,212,882	\$ 614,864,698	\$ 664,150,565
Rural Arterial Trust Account	102	\$ -	\$ 1,722,038	\$ 2,142,689	\$ 2,640,380	\$ 3,227,652	\$ 3,850,222	\$ 4,514,935	\$ 5,278,452	\$ 6,144,442	\$ 7,123,761
Transportation Improvement Account	144	\$ -	\$ 1,722,038	\$ 2,142,689	\$ 2,640,380	\$ 3,227,652	\$ 3,850,222	\$ 4,514,935	\$ 5,278,452	\$ 6,144,442	\$ 7,123,761
Capital Vessel Replacement Account	181	\$ 3,549,990	\$ 7,213,080	\$ 7,273,980	\$ 7,336,380	\$ 7,367,880	\$ 7,414,380	\$ 7,462,380	\$ 7,516,980	\$ 7,584,780	\$ 7,643,880
Highway Safety Account	106	\$ 415,768	\$ 846,343	\$ 853,378	\$ 853,574	\$ 844,851	\$ 838,767	\$ 834,196	\$ 833,011	\$ 837,119	\$ 841,483
ORV & Nonhighway Vehicle Account	01B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,025,106	\$ 1,664,827	\$ 1,771,779	\$ 1,883,423
Aeronautics Account	039	\$ 52,600	\$ 71,400	\$ 79,500	\$ 87,600	\$ 95,400	\$ 103,600	\$ 111,600	\$ 119,500	\$ 127,200	\$ 135,200
Recreation Resources Account	267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,627,767	\$ 4,267,676	\$ 4,541,887	\$ 4,828,106
NOVA Program Account	268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,445,029	\$ 2,346,804	\$ 2,497,568	\$ 2,654,945
Snowmobile Account	01M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424,408	\$ 458,731	\$ 492,423	\$ 528,707
Multimodal Transp Account	218	\$ 7,909,092	\$ 31,802,820	\$ 37,512,985	\$ 43,640,533	\$ 50,104,090	\$ 56,937,880	\$ 63,894,592	\$ 71,083,800	\$ 78,698,229	\$ 86,287,394
State Patrol Highway Account	081	\$ 7,653,500	\$ 16,482,700	\$ 17,682,200	\$ 18,904,300	\$ 20,151,500	\$ 21,424,900	\$ 22,722,700	\$ 24,050,200	\$ 25,399,200	\$ 26,772,600
Transportation Partnership Account	09H	\$ 3,947,500	\$ 8,501,600	\$ 9,120,200	\$ 9,750,600	\$ 10,393,900	\$ 11,050,700	\$ 11,720,000	\$ 12,404,700	\$ 13,100,600	\$ 13,809,000
Puget Sound Ferry Operations Account	109	\$ 470,600	\$ 1,013,500	\$ 1,087,300	\$ 1,162,500	\$ 1,239,100	\$ 1,317,500	\$ 1,397,300	\$ 1,478,900	\$ 1,561,900	\$ 1,646,300
Transportation 2003 Account (Nickel Acco	550	\$ 1,792,500	\$ 3,860,400	\$ 4,141,400	\$ 4,427,600	\$ 4,719,700	\$ 5,018,000	\$ 5,321,900	\$ 5,632,800	\$ 5,948,800	\$ 6,270,500
Abandoned RV Disposal Account	221	\$ 287,000	\$ 506,400	\$ 510,100	\$ 513,000	\$ 516,600	\$ 519,700	\$ 522,900	\$ 526,500	\$ 526,500	\$ 526,500
Total		\$ 254,524,250	\$ 397,743,898	\$ 457,226,622	\$ 508,559,859	\$ 556,329,955	\$ 607,056,834	\$ 656,084,893	\$ 712,154,216	\$ 770,241,567	\$ 832,226,125

2.C – Expenditures

This bill is expected to have a fiscal impact on operations. DOL estimates an additional .3 FTE at the Licensing Service Representative 1 (LSR1) level will be needed for one year to process the anticipated increase in registration transactions. In addition, 1.4 FTE at the Customer Service Specialist 2 (CSS2) level will be needed ongoing for the anticipated increase in customer correspondence. In addition, 2 FTEs at the Management Analyst 5 (MA5) level ongoing to support development and implementation of

the creation of the Highway Use Fee (HUF). The conclusions on the additional FTEs needed are based on the computations below:

Registration Transactions:

- 2024 Registration Transactions - 14,595.
- 25% of customers will not send correct fees with updated service and filing fees due to the annual change (assumption).
- $14,595 \text{ (total 2024 registration transactions)} * 25\% \text{ (percentage of customers sending the wrong amount)} = 7,297.5 \text{ registration transactions.}$
- $7,298 \text{ (registration transactions)} * 3 \text{ (minute touch time)} = 21,894.$
- $21,894 \text{ total minutes} / 88,320 \text{ (minutes per FTE per year)} = 0.3 \text{ LSR1 FTE.}$

Note: The 25% assumption for incorrect fee submissions is based on the mail-in renewal process and the frequency of registration errors observed during previous fee changes.

Customer Correspondence (routine and executive correspondence):

- 30% of vehicle emails will inquire about fee increases, ask questions or want to submit complaints due to raised prices (assumption).
- $27,350 \text{ (total 2024 emails)} * 30\% \text{ (percentage of customers reaching out)} = 8,205 \text{ correspondence.}$
- $8,205 \text{ (correspondence)} * 15 \text{ (minute touch time)} = 123,075 \text{ minutes.}$
- $123,075 \text{ (total minutes)} / 88,320 \text{ (minutes per FTE per year)} = 1.4 \text{ CSS2 FTE.}$

Research and Analysis to support HUF requirements (2 MA5s):

- The FTEs would be needed as soon as possible to help develop agency rules allowed by section 206(4) and start evaluation of sources for needed additional vehicle data.
- Work with DOL management and technical staff to ensure the collection of necessary data elements while minimizing the presence of personal information.
- Perform comparative analysis on sources of MPG and vehicle classification data.
- Advise on the design and development of automated processes to determine the fuel efficiency of vehicles.
- Perform required research and documentation of missing, questionable, or challenged MPG ratings and electric/hybrid classifications.
- Develop custom processes and code to support addition and correction of MPG data and integration of resulting data into DRIVES.
- Provide supporting data for any related studies.

Contract with vendor for access to MPG data:

- \$100,000 annually will be needed to get access to MPG data through a contracted vendor.
- \$2,000 annually for access to alternative MPG data sources through a contracted vendor.

In addition, a .6 FTE at the Tax Policy Specialist (TPS3) level is being requested ongoing to manage the new Highway Use Fee forecast that will be created based on the provisions in this bill. The indexing will also create increased complexity to various current forecasts, and may increase forecast variance, especially if the index is different from the current placeholder.

Information Services:

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Cost Category	Description	Rate	2026	2027	2028	2029	2030	2031	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 27,144	86,900	-	-	-	-	-	86,900
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	\$ 19,836	13,900	-	-	-	-	-	13,900
PROJECT MANAGER	Manage schedule and contracts	\$ 35,037	17,500	-	-	-	-	-	17,500
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	\$ 19,836	7,900	-	-	-	-	-	7,900
CONTRACTED FAST DEVELOPER/TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	\$ 38,454	130,700	-	-	-	-	-	130,700
TRAINER	Trains business partners and employees in new system processes and capabilities.	\$ 27,144	19,000	-	-	-	-	-	19,000
PROJECT CONTINGENCY	Office of the Chief Information Officer designated rate of 10%	\$ 27,394	27,600	-	-	-	-	-	27,600
Totals			303,500	-	-	-	-	-	303,500

What DOL will implement:

Fuel Tax/IRP:

- An additional and cumulative tax rate of 9 cents to the per gallon cost of fuel imposed on fuel licenses beginning July 1, 2025.
 - Fees must be increased by the percentage change in the implicit price deflator for personal consumption expenditures for the United State starting the following fiscal year July 1, 2026, and on-going.
- An additional cumulative fee increase of 3 cents to the per gallon cost of special fuel imposed on fuel licenses beginning July 1, 2025.
- An additional cumulative fee increase of 3 cents to the per gallon cost of special fuel imposed on fuel licenses beginning July 1, 2027.
 - Special Fuel Fees must be increased by the percentage change in the implicit price deflator for personal consumption expenditures for the United State starting the following fiscal year July 1, 2028, and on-going.
- Fee distributions changes to fees above as follows:
 - The remaining net tax amount collected from the fees above must be distributed as follows:
 - 6.0 percent must be distributed to the incorporated cities and towns of the state in accordance with RCW 46.68.110;

- 6.0 percent must be distributed to counties of the state in accordance with RCW 46.68.120; and
- The remainder must be distributed to the motor vehicle fund created in RCW 46.68.070.

Registration\Electric\HUF\Weight\Scale\Misc.\Tax\E-Buses:

Registration and Title Filing and Service Fees effective January 1, 2026:

- Increase the Registration filing fee from \$4.50 to \$6.00, adding an end date to the existing fee.
- Increase the Title filing fee from \$5.50 to \$6.50, adding an end date to the existing fee.
- Increase the Title Service fee from \$15 to \$18, adding an end date to the existing fee.
- Increase the Registration Renewal fee from \$8 to \$11, adding an end date to the existing fee.

Electric Vehicle Fees effective July 1, 2026:

- On Original vehicle registration, when applicable, charge the \$100 Electric vehicle registration fee.
- Increase the \$100 Electric vehicle registration renewal fee the percentage change in the implicit price deflator.
- On Original vehicle registration, when applicable, charge the \$50 Hybrid Electric vehicle registration fee.
- Increase the \$50 Electric\Hybrid fee the percentage change in the implicit price deflator.
- On Original vehicle registration, when applicable, charge the \$30 Electric Motorcycle registration fee.
- Increase the \$30 Electric Motorcycle fee the percentage change in the implicit price deflator.
- On Original vehicle registration, when applicable, charge the \$75 Transportation Electrification fees.
- Increase the \$75 Transportation Electrification fees the percentage change in the implicit price deflator.

Highway Use Fee effective July 1, 2026:

- New interface for MPG data exchange.
- New logic and calculation for a Highway Use Fee for all vehicles where registration is issued, and vehicle has a combined fuel economy of 25 miles per gallon (MPG) or greater.
- New fee and distribution for Highway Use Fee.
- New Report for Highway Use Fee.

License Fee by Weight (Gross Weight) effective July 1, 2026:

- Increase all license fees by weight (Gross Weight) (Schedule A and B).
- Increase the license fee by weight (Gross Weight) (Schedule A and B) the percentage change in the implicit price deflator.

Passenger Vehicle Weight Fees effective January 1, 2026:

- Increase all Vehicle (Scale) Weight Fees effective January 1, 2026.
- Increase all Vehicle (Scale) Weight Fees effective July 1, 2027.
- Increase all Vehicle (Scale) Weight Fees the percentage change in the implicit price deflator effective 7/1/2027.

Miscellaneous Fees effective January 1, 2026:

- Increase the Abandoned Recreational Disposal Fee from \$6 to \$8.
- Beginning 1/1/2026, up to 10 percent of the expenditures from the account may be used for administrative expenses of the department in implementing this chapter.

Sales and Use Taxes on Motor Vehicles effective January 1, 2026:

- Increase Sale\Use tax rate to 1%.
- An additional one percent (1%) graduated vehicle sales\use tax on the sale of a passenger motor vehicle selling price exceeds \$50,000.
- An additional one percent (1%) graduated vehicle sales tax on the sale of a passenger motor vehicle selling price exceeds \$100,000.

Tax Incentives - Zero Emission Buses Effective date July 1, 2025:

- New Sales and Use Tax Exemption for Zero Emission Buses.
- New Report on Zero Emission Bus Tax Exemptions.

Support Services:

Agency Administrative Overhead is included at a rate of 24.8 percent of the direct program costs. This funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees. These indirect costs are shown under object E.

Part 3 – Expenditure Detail

3.A – Operating Budget Expenditures

Operating Expenditures	Fund	FY 26	FY 27	25-27 Total	27-29 Total	29-31 Total
Motor Vehicle	108	876,000	737,000	1,613,000	1,474,000	1,474,000
Account Totals		876,000	737,000	1,613,000	1,474,000	1,474,000

3.B – Expenditures by Object or Purpose

Object of Expenditure	FY 26	FY 27	25-27 Total	27-29 Total	29-31 Total
FTE Staff Years	3.6	4.0	3.9	4.0	4.0
Salaries and Wages	311,000	328,000	639,000	656,000	656,000
Employee Benefits	108,000	116,000	224,000	232,000	232,000
Goods and Services	457,000	293,000	750,000	586,000	586,000
Total By Object Type	876,000	737,000	1,613,000	1,474,000	1,474,000

3.C – FTE Detail

Staffing	Salary	FY 26	FY 27	25-27 Total	27-29 Total	29-31 Total
Licensing Services Representative 1	58,376	0.3	0.0	0.2	0.0	0.0
Customer Service Specialist 2	50,330	0.7	1.4	1.1	1.4	1.4
Management Analyst 5	98,040	2.0	2.0	2.0	2.0	2.0
Tax Policy Specialist 3	103,008	0.6	0.6	0.6	0.6	0.6
Total FTE		3.6	4.0	3.9	4.0	4.0

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

Rulemaking may be required based on section 206(4) which creates a new section in chapter 46.17 RCW.

Individual State Agency Fiscal Note

Bill Number: 2043 P S HB	Title: Transportation resources	Agency: 407-Transportation Improvement Board
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Michael Hirsch	Phone: 360-786-7195	Date: 03/25/2025
Agency Preparation: Ian Shelley	Phone: (360) 407-2243	Date: 04/01/2025
Agency Approval: Ian Shelley	Phone: (360) 407-2243	Date: 04/01/2025
OFM Review: Maria Thomas	Phone: (360) 229-4717	Date: 04/03/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

BILL ANALYSIS

- Part 1 of this bill updates fuel tax rates and establishes a method for future annual adjustments.
- Part 2 of this bill updates vehicle registration fees and establishes a method for future annual adjustments.
- Part 3 of this bill updates sales and use tax rates on motor vehicles.
- Part 4 of this bill updates ferry fare rates, establishes a scheduled increase for each fiscal year 2026 through 2031, and directs Washington State Ferries to implement cost recovery mechanisms to recoup credit card processing fees.
- Part 5 of this bill describes tax incentives for zero emissions vehicles.
- Part 6 of this bill makes updates to alternative fuel grant and education programs in RCW 28B.30.903, RCW 47.04.350, and RCW 47.04.355
- Part 7 of this bill contains effective dates and miscellaneous provisions.

FISCAL IMPACT STATEMENT

- The Transportation Improvement Board (TIB) expects no fiscal impact from this bill. This bill does not create any new expenditures for TIB.

ASSUMPTIONS

- From Section 204, Changes in total hybrid-electric vehicle registration revenue will change the total revenues distributed to the Transportation Improvement Account (fund 144, which TIB is the administering agency).
 - TIB assumes that estimates for changes in revenue distributed to the Transportation Improvement Account will be included in the Department of Licensing's fiscal note, since DOL is the initial recipient of the hybrid-electric vehicle registration revenue.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2043 P S HB	Title: Transportation resources	Agency: 410-Transportation Commission
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Michael Hirsch	Phone: 360-786-7195	Date: 03/25/2025
Agency Preparation: Aaron Halbert	Phone: 360-705-7118	Date: 03/28/2025
Agency Approval: Reema Griffith	Phone: 360-705-7070	Date: 03/28/2025
OFM Review: Maria Thomas	Phone: (360) 229-4717	Date: 03/31/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

PSHB 2043 makes the following directions to the Transportation Commission:

- (1) Sec. 401 adds a new section to chapter 47.60 RCW to require the Commission to increase ferry fares by an additional one and one-half percent above the increase otherwise required under RCW 47.60.315 (1), for each of the fiscal years 2026 through 2031, and expiring July 1, 2032.
- (2) Sec. 402 amends RCW 47.60.315 to adjust the vessel replacement surcharge under RCW 47.60.315 (7) from 25 cents to 75 cents.

There is no fiscal impact to the Transportation Commission since these actions would be part of the Commission’s normal ferry fare setting duties.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2043 P S HB	Title: Transportation resources
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☒ Special Districts: All public transit agencies. Revenue loss due to zero emission bus tax exemption.
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City	(232,973)	(1,394,850)	(1,627,823)	(307,643)	
County	(287,258)	(1,719,867)	(2,007,125)	(379,329)	
Special District	(251,969)	(1,508,583)	(1,760,552)	(332,728)	
TOTAL \$	(772,200)	(4,623,300)	(5,395,500)	(1,019,700)	
GRAND TOTAL \$	(6,415,200)				

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 250-5931	Date: 04/01/2025
Leg. Committee Contact: Michael Hirsch	Phone: 360-786-7195	Date: 03/25/2025
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 04/01/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 04/08/2025

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This legislation establishes additional state transportation revenue sources. These additional revenues include vehicle-related fees, sales and use taxes on motor vehicles, and a zero-emission vehicle tax incentive exemption limit for buses purchased by a transit agency or a federally recognized Indian tribe to provide public transportation services.

Sec. 502 provides an exemption on sales taxes levied on sellers for zero emission buses purchased by a transit agency not to exceed \$14,000,000.

There are several effective dates in the bill beginning on July 1, 2025. Please see the bill for specific implementation dates.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation would not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This legislation would have an impact on local government revenues.

This bill includes a sales and use tax exemption for zero emission buses purchased by either a transit agency or a federally recognized Indian tribe to provide public transportation services. The exemption expires after the last day of the calendar month immediately following the month when total exemptions reach \$14,000,000.

For illustrative purposes, the Spokane Transit Authority's most recent zero emission bus purchase was a 60' New Flyer 5-Door Battery Electric Bus (to be delivered in 2026) with a total cost of \$2,038,630 and sales tax of \$189,593. Using this sales tax figure, the total number of buses that may be purchased with the proposed sale tax exemption will equal approximately 74. The number of sales tax exemptions that will be utilized by transit agencies or federal recognized Indian tribes is unknown. The transit agency revenues are therefore indeterminate.

As noted in the Department of Revenue (DOR) fiscal note, this legislation takes effect July 1, 2025. The current language in the bill states that the program cap will be met when the total exempt amount reaches \$14 million. The total exempt amount includes state and local sales and use taxes. Assumptions provided by DOR include the following:

- The program cap of \$14 million in state sales and use taxes will be met in quarter one of fiscal year 2028.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3%.
- The demand for electric buses will grow 5.5% annually due to government initiatives and grants to purchase renewable energy buses.
- King County Metro plans to purchase 250 electric buses in 2027 and operate a 100% zero-emissions fleet by 2035.
- C-TRAN plans on purchasing 37 zero emissions buses in 2025-2027 and 32 in 2032-2033.
- Other transit agencies will be upgrading their fleets with electric buses as funding allows, but at a slower pace than King County Metro and C-TRAN.

This bill decreases local revenues by an estimated \$780,000 in the 11 months of impacted collections in fiscal year 2026, by \$4,670,000 in fiscal year 2027 (the first full year of collections), and by \$1,030,000 in fiscal year 2028.

LOCAL REVENUE IMPACT:

FY 2026 - (\$ 780)

FY 2027 - (\$ 4,670)

FY 2028 - (\$ 1,030)

FY 2029 - \$ 0

FY 2030 - \$ 0

FY 2031 - \$ 0

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2023. Distributions in 2023 were 37.20 percent to counties, 30.17 percent to cities, and 32.63 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

SOURCES

Department of Revenue FN 2043 P S HB (2025)

Spokane Transit Authority

Washington State Transit Association

Department of Revenue Local Tax Distributions (2023)

Local Government Fiscal Note program, Local Sales Tax model (2025)

Local Government Fiscal Note Program “Sales and Use Tax Distribution Model” (2025)