

Testimony for the Senate Law and Justice Committee, October 5, 2017

Work session on investigation of Sound Transit

Public surprise and outrage about their 2017 MVET license tab taxes suggests that Sound Transit was not clear and candid with taxpayers about the cost of ST3 before regional voters cast their votes last November.

The online tax calculator from Sound Transit is alleged to have publicized the MVET tax under ST3, but it did not. A computer screen print of the tax calculator at <http://soundtransit3.org/calculator> is shown in the following graphic.

As output from the calculator, all of the ST3 taxes are bundled together in the center blue boxes below labeled “Yearly” and “Monthly.” The additional MVET tax increment from approval of ST3 was not revealed to citizens making input into the calculator nor was the total MVET tab tax shown that would be the result of the ST3 tax hike being approved.

The numbers under “Make Adjustments Below” is where all the inputs of the tax calculator are summarized, after being entered on earlier pages. A citizen had to look up her last year’s RTA MVET as an input, not easy to do without good record keeping. The vehicle valuation basis of the MVET in the computerized calculation to be made with this software was not made explicit.

The screenshot shows the Sound Transit 3 website's calculator page. The browser address bar shows soundtransit3.org/Calculator. The page has a dark blue header with the Sound Transit 3 logo and navigation links: HOME, OVERVIEW, MAP, DOCUMENT LIBRARY, and QUESTIONS. Below the header, the section "HOW WAS THE TYPICAL ANNUAL COST CALCULATED?" is displayed, followed by a detailed breakdown of the \$169 per typical adult cost, including Motor vehicle excise tax, Property tax, and Sales tax. The next section, "HOW CAN I CALCULATE MY COST?", features a calculator interface. On the left is a green calculator icon. The main area, titled "YOUR ESTIMATED COST", shows the estimated additional 2017 cost for ST3 for each adult in a household: \$519.00 yearly and \$43.25 monthly. It also includes a note that the typical adult would pay \$169 more annually or \$14 per month, based on median calculations. A "Previous" button is located below this text. On the right, the "MAKE ADJUSTMENTS BELOW" section contains input fields for the number of adults (set to 1), pretax income (set to \$40,000-\$50,000), RTA (set to 100), and property value (set to 600,000), with an "Enter" button at the bottom.

SOUND TRANSIT 3 HOME OVERVIEW MAP DOCUMENT LIBRARY QUESTIONS

HOW WAS THE TYPICAL ANNUAL COST CALCULATED?

Here's how the \$169 per typical adult breaks down. The calculations for all three of the proposed new taxes use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less.

- **Motor vehicle excise tax:** A typical adult would pay \$43 more annually based on the \$5,333 median value of vehicles in the Sound Transit District. MVET taxes are determined by a state of Washington depreciation schedule for a specific vehicle's model and production year.
- **Property tax:** The typical adult would pay \$47 more based on the median \$360,658 assessed value for homes in the Sound Transit District. For renters, this conservatively assumes \$47 as the median cost passed on by a landlord.
- **Sales tax:** An adult at the median income level would pay an additional \$79 per year in sales and use taxes if ST3 were passed. This is based on a median household income level of \$73,359 according to 2015 data from the Washington State Office of Financial Management (OFM) for Snohomish, King and Pierce counties.

HOW CAN I CALCULATE MY COST?

YOUR ESTIMATED COST

The estimated additional 2017 cost for ST3 for each adult in your household is:

YEARLY: **\$519.00** **MONTHLY:** **\$43.25**

The typical adult in the Sound Transit District would pay **\$169 more annually, or \$14 per month.** This is based on median calculations, meaning 50 percent of people in the district would pay more and 50 percent would pay less.

[Previous](#)

MAKE ADJUSTMENTS BELOW

of Adults

Pretax Income

RTA

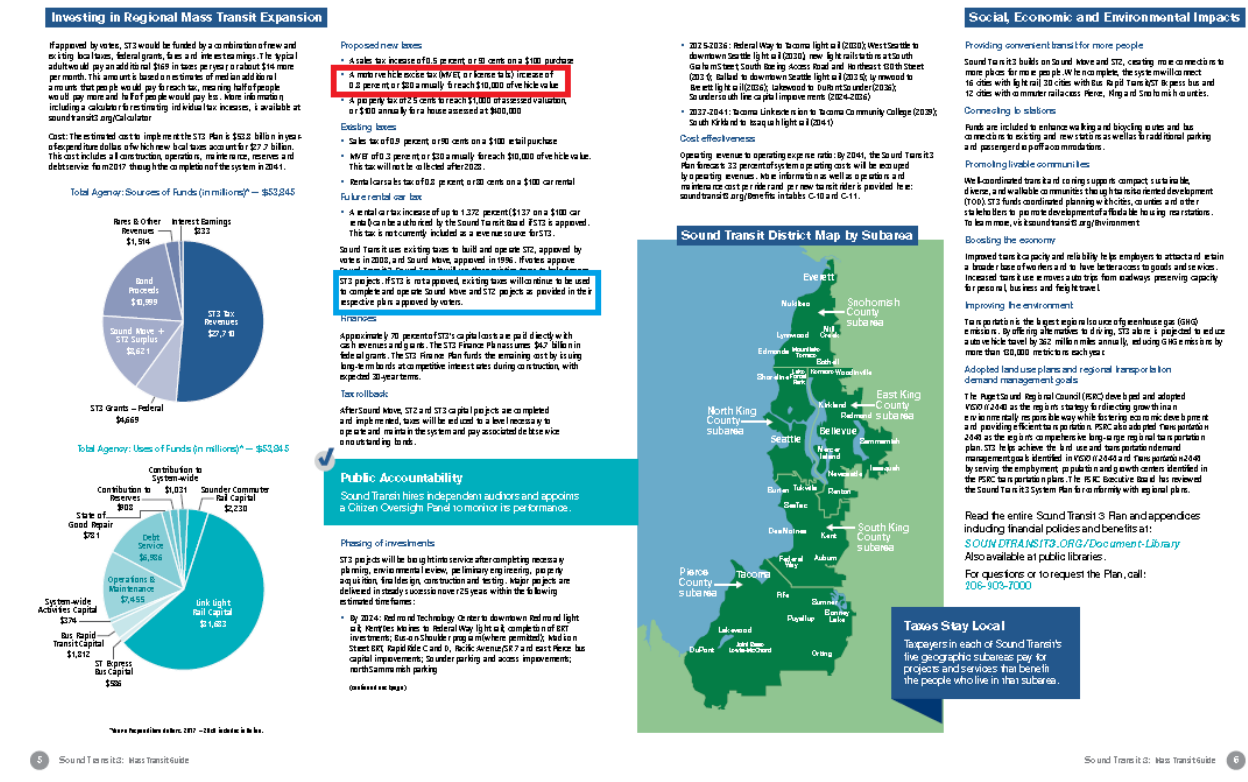
Property Value

[Enter](#)

In another claimed reveal of MVET tab information for citizens, Sound Transit was also vague about what the ST3 MVET would cost a car owner. Here's how Sound Transit explained the car tab tax in the [Mass Transit Guide](#) mailed to all households last October, in small typeface on page 6:

"A motor vehicle excise tax (MVET, or license tabs) increase of 0.8 percent, or \$80 annually for each \$10,000 of vehicle value." The words **"vehicle value"** were misleading – not used in the normal meaning of those words. English-speaking citizen taxpayers like me probably assumed "value" meant what their car was actually worth in value if sold or traded in. But Sound Transit hid from voters the fact that ST would use an outdated and previously superseded way to set value based on a contrived MSRP-derivative number in a hidden table. That number could be twice as high as the actual, real market value of their car. That's why so many voters are upset.

Here is a picture of pages 6 and 7 of the Sound Transit tax-hike promotion advertising mailer with the explanation indicated with a red box around the words I quoted above:



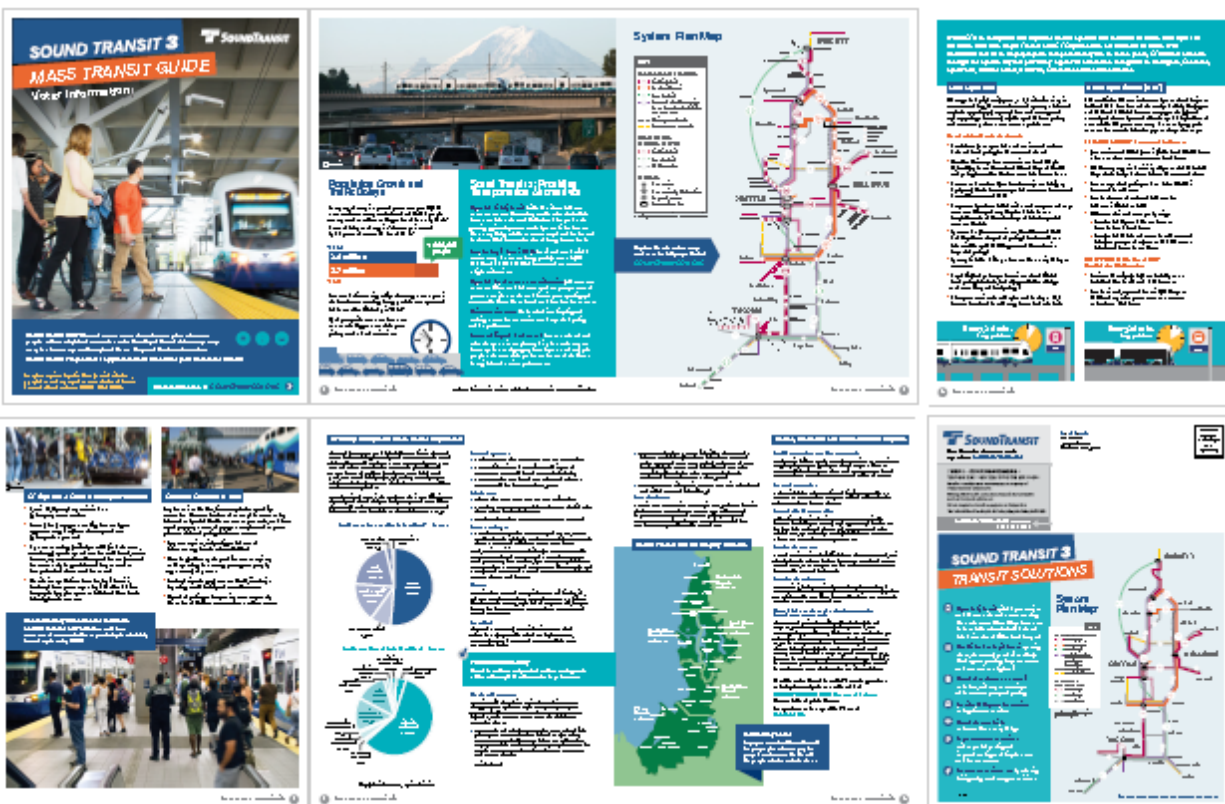
To the degree that voters can figure out that this ST3 MVET hike is significant, it's buried in an ocean of text and graphics pushing -- that is advertising -- the benefits of ST3.

Why do I call the legally-required Mass Transit Guide sent to all households in the taxing district last October an advertising piece?

As I wrote in a formal complaint to the Public Disclosure Commission last October, a reading of the Guide reveals that it amounts to a promotional description in eight pages of the result of passage of Proposition One, which amounts to the case for a YES vote.

This format and focus makes the document in effect a tax-funded advocacy piece for a YES vote to raise the tax rate collected by Sound Transit, with little understanding provided to voters of what happens to the activity of Sound Transit if the ST3 tax measure failed to pass. Would existing construction be impacted? Would the extra money from ST3 be important if, as happened, costs for ST2 expanded? Without ST3, how much smaller would the ridership be? Would traffic congestion get worse? Could another vote be taken in the future? No information was provided on questions like these.

The Guide uses one sentence in eight pages to describe the result of a NO vote on Proposition One. That one sentence is marked with a blue colored surrounding box in the previous figure, again quite buried in an eight page full-color promo. The words marked in blue above describing the Reject outcome were these: "If ST3 is not approved, existing taxes will continue to be used to complete and operate Sound Move and ST2 projects as provided in their respective plans approved by voters." This is a cryptic way of saying that existing authorized tax collections of Sound Move in 1996 and ST2 in 2008 were sufficient to complete 50 miles of light rail even if ST3 is rejected by voters. Did this detailed meaning come through? Not with an explanation matching the size and colorful graphics of the argument for voting Yes on Prop One, illustrated in the following high-level view of all eight pages:



In successfully defending how the Mass Transit Guide described ST3, Sound Transit's lawyer Desmond Brown wrote to the PDC that there was no requirement in the RCW for the Mass Transit Guide to

provide any information at all on what would happen if ST3 were rejected by voters, and that in all previous Sound Transit tax elections the agency provided no such information.

Although not done, the Mass Transit Guide could have said or implied or hinted, “Every one of the photographs in this Mass Transit Guide shows activity resulting from Sound Transit’s spending to date, all of which is fully funded with taxes already authorized, and which will continue whether or not ST3 Prop One is affirmed or rejected.”

As a further example of deceptive advertising, the Mass Transit Guide provided two system plan maps that showed the ST3 light rail additions to be paid for with new ST3 taxes in a dark shade of red and the light rail plans already paid for in the previous two tax elections in a light shade of red, melding together what was new and what was old. Dark red obscured light red in some line segments on the map, reinforcing confusion in what ST3 was buying. Furthermore, no distinction was made with the light red coloring between the three different parts of the light rail network already paid for prior to ST3: (A) the original Sound Move light rail now partially in operation, (B) the Northgate Link and East Link under construction, and (C) the Lynnwood Link extension still in the planning stage without a Full Federal Funding Grant Agreement. See a color copy of the full document to grasp the visual impact of this coloring scheme.

Maybe the fuzzing of map colors to obscure the differences between what’s already done and what’s coming in the future is related to the \$725 million total cost escalation in two ST2 projects announced by Sound Transit management following the agency’s acquisition of ST3 tax money in the election last November.

Since the overall size and time span of the ST3 program is an issue in the present Senate investigation, I suggest this Committee explore the overall intent of ST leaders in advocating a tax hike that was partially achieved by obscuring this year’s quadrupling of a car tab tax that is attempting to get by using an old car valuation formula. Perhaps ST3 amounts in retrospect to a desperate quest for agency liquidity in the face of a risky road ahead that was already in view a year ago. Perhaps the biggest misdirection in the Mass Transit Guide was the small-typeface claim that if voters approved ST3, the Sound Transit agency would use existing Sound Move and ST2 taxes to help finance ST3 projects. Perhaps the reverse is more true – the prospect of ST3 taxes being used to pay for gaps in the funding of existing projects supposedly covered by earlier voter-approved taxes.

Something to look into.

Respectfully,

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