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ST3 plan would cost typical adult \$169 annually or \$14 per month
Sound Transit provides Expert Review Panel with updated calculation of costs for additional car tab, sales and property taxes

Sound Transit today released an updated and more precise calculation of the taxes residents would pay if the Sound Transit 3 ballot measure is approved in November.

In its June 20, 2016 letter, the ST3 Expert Review Panel (ERP) appointed by the state of Washington suggested that the typical cost per household be updated to reflect the most current data. The more accurate new calculation indicates ST3 would cost the typical adult in the Sound Transit District an additional \$169 annually, \$34 or 17 percent less than the \$203 previously estimated.

Under the updated and more precise methodology addressed in the below memo, the calculations for all three of the new taxes that regional voters will consider now use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less. Previously, the calculation for the motor vehicle excise tax (MVET) used average vehicle values based on the information that was readily available in early 2015. Using a median value cancels the disproportionate impact of the relatively small number of people that own very expensive vehicles. For example, the 1 percent of vehicles in the district with values over \$52,000 and 10 percent with values over \$27,000 are dramatically higher than the median value of \$5,333.

For both the MVET and property taxes, the new calculation is now a reflection of the typical adult who lives within the precise boundaries of the Sound Transit District as opposed to the three-county area.

The ST3 Plan would build 62 additional miles of light rail and 37 new stations to form a 116-mile regional system, as well as bus rapid transit, commuter rail and other regional transit investments to get people out of traffic as the region's population keeps growing. The plan's \$53.8 billion in investments would be enabled by new taxes including: (1) a sales tax of 0.5 percent (\$.50 on a \$100 purchase); (2) a MVET of 0.8 percent (\$80 annually per \$10,000 of vehicle value); and (3) a property tax of 25 cents for each \$1,000 of assessed valuation (\$100 annually for a \$400,000 home). Sound Transit will develop an online calculator through which residents can input information to calculate individualized annual cost estimates.

Here's how much a typical adult would pay if ST3 is approved:

- **MVET:** An adult owning the median value motor vehicle would pay an additional \$43 per year in MVET if ST3 were passed. The updated calculation reflects an annual median value \$5,333 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. The previous calculation relied on a less representative average vehicle value of \$10,135 for the more expansive tri-county area, for a significantly higher annual cost of \$78 per adult.
- **Property tax:** An adult with the median home value would pay an additional \$47 per year in property tax if ST3 were passed. The updated calculation is based on a median \$360,658 assessed value for the Sound Transit District, and 1.93 adults per household. This calculation uses actual

median assessed home values for 2015 which are inflated by 9.6 percent to estimate what people would pay in 2017 following the passage of ST3.

This more precise data, based on what taxpayers actually pay, was not available at the time of the original calculation. Instead, the earlier calculation used less precise Zillow home values in the entire Snohomish, King and Pierce county areas to generate an estimate of additional property tax per adult that was coincidentally also \$47 per year for an assumed median market value of \$360,776.

- **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 an updated 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, and 1.93 adults per household. The OFM-estimated amount that a household of that income level pays in sales taxes was then adjusted to an estimate for 2017 by adding two years of inflation at approximately 2.25 percent annually.

The previous calculation was based on the older OFM 2013 median income level of \$67,032, which was inflated to a \$78 estimated additional cost for 2017 by adding four years of inflation. The fact there was not much change in the estimated sales tax cost under the updated calculation reflects that the earlier inflation assumptions were fairly accurate.

The ST3 Plan would construct light rail further north to Everett, further south to Federal Way and Tacoma, and further east to downtown Redmond. Extensions would connect West Seattle and Ballard to the system, in addition to a new line in East King County linking South Kirkland, Bellevue and Issaquah.

ST3 would also establish bus rapid transit service on I-405 from Lynnwood to Burien and on SR 522, with faster buses running every 10 minutes during peak commute hours. The plan would expand the capacity of fast-growing Sounder south commuter rail service linking Seattle, Tukwila, Kent, Auburn, Sumner, Puyallup, Tacoma and Lakewood, with extension of the line to reach Joint Base Lewis-McChord and DuPont. Parking and other investments would expand access about both south line and north line Sounder stations. The Tacoma Link light rail line would extend from Hilltop to Tacoma Community College.

Among a number of other projects in the plan, early investments would include speeding up existing bus routes by enabling them to run on the shoulders of freeways where possible. Details of the plan are available at soundtransit3.org, including an interactive map.

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Sound Transit plans, builds and operates regional transit systems and services to improve mobility for Central Puget Sound.

MEMO



July 7, 2016

To: Peter Rogoff, Chief Executive Officer
From: Brian McCartan, Executive Director, Finance & Information Technology
RE: Updated ST3 Per-Adult Tax Impacts

In its June 20, 2016, letter, the ST3 Expert Review Panel (ERP) appointed by the state of Washington wrote that the “panel would also suggest that the typical cost per household be updated to reflect the most current data.”

Sound Transit finance staff has reviewed its methodology for calculating the “typical” impact of new ST3 taxes and have identified refinements to make the number more accurate. This memo describes the methodology used to update the calculation.

The calculations for all three of the new taxes that regional voters will consider now use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less. Previously, the calculation for the motor vehicle excise tax (MVET) used average vehicle values based on the information that was readily available in early 2015. Using a median value cancels the disproportionate impact of the relatively small number of people that own very expensive vehicles. For example, the 1 percent of vehicles in the district with values over \$52,000 and 10 percent with values over \$27,000 are dramatically higher than the median value of \$5,333. Using a median figure for vehicles reduces the estimated ST3 cost for the typical adult to \$169. For both the MVET and property taxes the new calculation is also more specific to the residents who live within the precise boundaries of the Sound Transit District.

Because the district includes a significant number of single-person households, Sound Transit is continuing to express the estimated additional cost of ST3 on a per-adult basis.

Summary of ST3 Tax Impacts				
	Prior Methodology	Per Adult	Updated Methodology	Per Adult
Sales and Use Tax	<u>2013</u> median income, inflated to 2017	\$78	<u>2015</u> median income, inflated to 2017	\$79
Motor Vehicle Excise Tax (MVET)	<u>2017</u> average vehicle for tri-county region	\$78	<u>2015</u> median vehicle for ST district inflated to 2017	\$43
Property Tax	2015 <u>average</u> market value (Zillow) for tri-county region, inflated to 2017	\$47	<u>Median</u> 2016 <u>assessed</u> value for properties in ST district, inflated to 2017	\$47
Total ST3 Taxes		\$203		\$169

Methodology

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 an updated 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, and 1.93 adults per household. The OFM-estimated amount that a household of that income level pays in sales taxes was then adjusted to an estimate for 2017 by adding two years of inflation at approximately 2.25 percent annually.

The previous calculation was based on the OFM 2013 median income level of \$67,032, which was inflated to a \$78 estimated additional cost for 2017 by adding four years of inflation. The fact there was not much change in the estimated sales tax cost under the updated calculation reflects that the earlier inflation assumptions were fairly accurate.

Motor vehicle excise tax (MVET): An adult owning the median value motor vehicle would pay an additional \$43 per year in MVET if ST3 were passed. The updated calculation reflects an annual median value \$5,333 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. The reduction to \$169 from the prior methodology is based primarily on shifting to using a median vehicle value specific to the Sound Transit District. The previous calculation relied on an average vehicle value of \$10,135 for the tri-county area, for an annual cost of \$78 per adult.

Property tax: An adult with the median home value would pay an additional \$47 per year in property tax if ST3 were passed. The updated calculation reflects a median \$360,658 assessed value for the Sound Transit District. This calculation uses actual median assessed home values for 2015 which are inflated by 9.6 percent to estimate what people would pay in 2017 following the passage of ST3.

For reasons of data availability assessed values were not used at the time of the original calculation, although they are the basis for determining what people actually pay. Rather, the earlier calculation used Zillow home values in the entire Snohomish, King and Pierce county areas to generate an estimate of additional property tax per adult that was coincidentally also \$47 per year for an assumed median market value of \$360,776.

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