

Commuter Trip Reduction Tax Credit

2022 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$4.1 Million

B&O Tax, Public Utility Tax

WHAT IS THE PREFERENCE?

Employers can request a B&O or PUT credit to reimburse up to 50% of the financial incentives they provide employees to use commute alternatives.

Credit limits: \$60 per employee. \$100,000 per employer. \$2.75 million statewide.



Preference is scheduled to expire July 1, 2024.

More Washingtonians are using commute alternatives

Metrics in statute:

Increase percentage of Washingtonians using commute alternatives.

Reduce traffic congestion, auto-related air pollution, & energy use through employer-based CTR programs.

What happened:

WA use of commute alternatives grew from 27.5% to 29.2% from 2015-19.

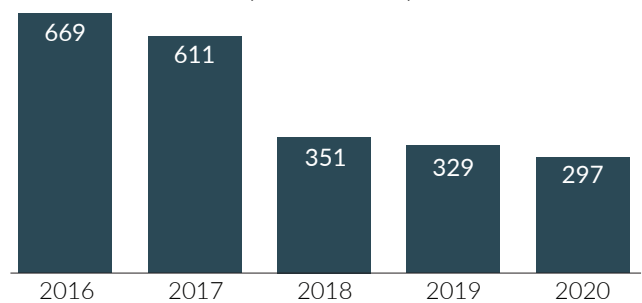
CTR survey data suggests improvements in congestion, pollution, and energy use.

Credit applications fell 56% from 2016-20

The decline in employers requesting the credit was concentrated among smaller employers. Employers with:

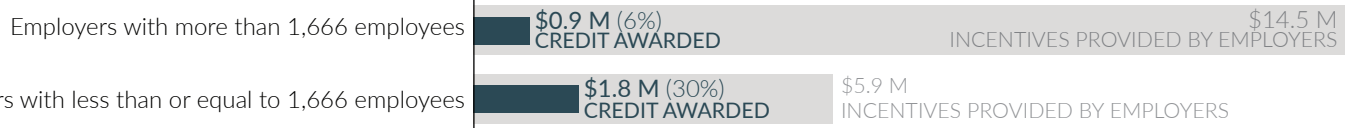
- Fewer than 50 employees declined 64%.
- 50 - 250 employees declined 56%.
- 250 - 1,666 employees declined 15%.
- More than 1,666 employees declined 30%.

OF APPLICANTS (EMPLOYERS)



The tax credit likely has limited influence on the amount of incentives employers provide

- Tax preference reimburses 6% - 30% of employers' costs.
- Employers offer incentives for reasons unrelated to the credit, including local mandates, recruitment & retention, sustainability, and traffic management.



LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue and modify.

The Legislature should **continue** and **modify** the credit. More Washingtonians are using commute alternatives, but the credit likely has limited influence on the amount of incentives employers provide and on employee use of commute alternatives. Modifications might include:

- Amending the preference to further reduce single-occupant vehicle travel, or
- Recategorizing the preference as one intended to provide tax relief to employers providing financial incentives for commute alternatives.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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