



MOTION NO. M2011-30
Department of Revenue Sales and Use Tax Collection

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations and Administration Committee	4/21/11	Recommendation to Board	Celia Kupersmith, Acting CEO	206-398-5037
Board	4/28/11	Final Action		

PROPOSED ACTION

Authorizes the chief executive officer to execute a contract with the Washington State Department of Revenue to administer and collect Sound Transit's sales and use tax and rental car tax and to compensate the Department for its services.

KEY FEATURES

The proposed contact is for three years, but will automatically renew for three-year periods through 2029, unless either the department or Sound Transit terminates the contract. Sound Transit will reimburse the Department an agreed amount to compensate for the cost to collect the tax. The collection and administrative costs are estimated to be \$73.8 million over the 18-year contact term, including \$1,420,383 for the State's 2011 fiscal year (July 2010-June 2011).

The proposed contract requires Sound Transit and the Department to negotiate in good faith to amend the contract terms to address unforeseen future events.

The services provided by the Department will include:

- collect and record taxes,
- provide monthly tax collection and distribution reports,
- perform taxpayer audits,
- identify, assess and collect unreported or underpaid taxes
- assist and educate taxpayers on proper tax reporting and payment,
- refunds overpaid taxes,
- allocate unidentified taxes,
- redistribute incorrectly allocated taxes,
- assist the State Treasurer in monthly distribution of taxes to Sound Transit, and
- provide other incidental functions necessary or appropriate to administer Sound Transit taxes.

FISCAL INFORMATION

This cost is included in, and affordable under the agency's current financial plan. Budget for 2011 expenditures under this agreement is included in the adopted staff budget. Future years' expenditures will be requested within subsequent annual staff budgets.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

EQUAL EMPLOYMENT WORKFORCE PROFILE

Not applicable to this action.

BACKGROUND

Sound Transit's enabling legislation authorizes Sound Transit to contract with the Washington State Department of Revenue for the administration and collection of the retail sales and use tax and the rental car sales tax approved by voters in the Sound Transit District in 1996 and 2008. The Department of Revenue has performed this function for Sound Transit for the past 15 years under two successive contracts in which Sound Transit paid the Department for the capital infrastructure to collect the taxes, and agreed to pay any incremental collection and administration costs for additional services. The proposed contract adds reimbursement compensation for operational costs based on the historical cost to perform the services. The Department of Revenue is the only agency with the infrastructure to collect the taxes.

ENVIRONMENTAL COMPLIANCE

Not applicable to this action.

TIME CONSTRAINTS

Action is required in April in order to pay the Department for its costs incurred in fiscal year 2011.

PUBLIC INVOLVEMENT

Not applicable to this action.

LEGAL REVIEW

Desmond Brown, general counsel (04/12/11)

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A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a contract with the Washington State Department of Revenue to provide tax collection and administration services and to compensate the Department for its services.

BACKGROUND:

Sound Transit's enabling legislation authorizes Sound Transit to contract with the Washington State Department of Revenue for the administration and collection of the Sound Transit District retail sales and use tax and the rental car sales tax. The Department of Revenue has performed this function for Sound Transit for the past 15 years under two successive contracts. The services provided by the Department include:

- collect and record taxes,
- provide monthly tax collection and distribution reports,
- perform taxpayer audits,
- identify, assess and collect unreported or underpaid taxes
- assist and educate taxpayers on proper tax reporting and payment,
- refunds overpaid taxes,
- allocate unidentified taxes,
- redistribute incorrectly allocated taxes,
- assist the State Treasurer in monthly distribution of taxes to Sound Transit, and
- provide other incidental functions necessary or appropriate to administer Sound Transit taxes.

The proposed contact is for three years, but will automatically renew for three-year periods through 2029 unless either the Department or Sound Transit terminates the contract. The proposed contract requires Sound Transit and the Department to negotiate in good faith to amend the contract terms to address unforeseen future events. Sound Transit will reimburse the Department an agreed amount to compensate for the cost to collect the tax. The estimated cost to reimburse the Department its administrative and collection fees over the 18-year contract term through 2029 is \$73.8 million, and includes \$1,420,383 for the period July 2010-June 2011. This cost is budgeted, and is affordable under the agency's revised financial plan. Budget for 2011 expenditures under this agreement is included in the adopted staff budget. Future years' expenditures will be requested in subsequent annual staff budgets.

MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a contract with the Washington State Department of Revenue to administer and collect Sound Transit's sales and use tax and rental car tax under the terms set forth above.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on April 28, 2011.



Aaron Reardon
Board Chair

ATTEST:



Marcia Walker
Board Administrator