

Washington State Auditor's Office
Citizen Hotline Report

**Central Puget Sound Regional Transit
Authority
(Sound Transit)
King County**

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
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Sound Transit
King County
Seattle, Washington

Report on Citizen Hotline Investigation

Attached is the official report on Citizen Hotline Case No. H-08-437 for the Central Puget Sound Regional Transit Authority, doing business as Sound Transit.

The State Auditor's Office received a referral regarding the possibility that a Transit Authority tax had been improperly assessed on a vehicle tab renewal. This referral was submitted to us under the provisions of Chapter 43.09 of the Revised Code of Washington. This report contains the results of our investigation.

Questions about this report should be directed to Deputy Director of Special Investigations Kim Hurley at (360) 725-5352 or Director of Special Investigations Jim Brittain at (360) 902-0372.

BRIAN SONNTAG, CGFM
WASHINGTON STATE AUDITOR

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Investigation Summary

Sound Transit King County

ABOUT THE TRANSIT

In March 1992, the Legislature passed a law that allowed counties to create a regional transit authority. In July 1993, the Snohomish, Pierce and King County Councils voted to create the Regional Transit Authority. Its first meeting was in September 1993. The Transit Authority is governed by a 18-member Board composed of city and county elected officials and the Secretary of the state Department of Transportation.

In November 1995, voters approved the *Sound Move* proposal and the Transit Authority Board adopted "Sound Transit" as its popular name. In April 1997, the state began collecting a 0.4 percent sales tax and a 0.3 percent motor vehicle excise tax (MVET) as authorized by the voters. This tax has been assessed on drivers' vehicle tab renewals for the last 11 years. The Department of Licensing collects approximately \$73 million per year on behalf of the Transit Authority.

ABOUT THE INVESTIGATION

The voting boundaries for the approval of the Transit Authority do not coincide with other taxing boundaries. This results in some zip codes being split between taxpayers who must pay the Transit Authority motor vehicle excise tax and those who reside outside the Transit Authority taxing boundaries who do not owe the tax.

Our investigation found many vehicle owners within split zip codes were billed, who reside outside the Transit Authority district and did not owe the tax.

Renewal notices for residents in split zip codes indicate vehicle owners who believe they do not owe the tax may call the Transit Authority for a determination on whether they live within the Transit Authority's boundary. If the Transit Authority determines an address is outside the district, the tax is removed. However, the Transit Authority's system cannot save this change and the taxpayer may be billed again the following year and must again obtain a determination of whether the tax is owed.

ASSERTION AND RESULTS

Vehicle owners who reside outside the boundaries of Sound Transit have been improperly billed for the Transit Authority MVET tax.

We found that the Department of Licensing, on behalf of the Transit Authority, annually bills the Transit Authority tax to owners of vehicles outside the boundary of the Transit Authority district. From July 1, 2007, through June 30, 2008, some vehicle owners contacted the Transit Authority indicating they believed they were outside of the taxing district and successfully had the tax removed. The owners of the remaining vehicles paid the tax; some owed, some did not.

In a December 3, 2008, article in a Seattle newspaper, the Transit Authority announced that it wrongly collected more than \$3 million from approximately 50,000 vehicle licenses over a three-year period. These amounts will be refunded to the vehicle owners.

TRANSIT AUTHORITY'S PLAN OF RESOLUTION

Since becoming aware of the substantial number of billings by the Department of Licensing to vehicles registered outside the Transit Authority district, the Transit Authority has been working diligently with the Department to (a) identify and refund taxes improperly paid and (b) change the Department's collection process to minimize the number of incorrect renewal notices sent to vehicle owners.

Refunds totaling \$1.9 million were mailed. Beginning with the January 2009 renewal notices, the Transit Authority understands that the Department of Licensing processes will be substantially improved to reduce the number of incorrect renewal notices sent to vehicle owners.

DEPARTMENT OF LICENSING'S RESPONSE

Sound Transit determined the scope of refunds to be for a three-year period ending June 30, 2008. Refunds for 45,758 customers totaling \$1.9 million have been mailed as of December 30, 2008, with any remaining refunds expected to be processed by January 15, 2009. Anticipated refunds comprise approximately 50,000 vehicles and 95,000 transactions per Sound Transit estimates. The Department of Licensing has assisted Sound Transit by coordinating the efforts between Sound Transit and the Office of Financial Management to facilitate the timely refunds of improperly paid taxes.

The Department of Licensing has been working closely with Sound Transit to identify methods to improve the billing processes based on Sound Transit's identification of taxpayers within its taxing boundaries. Effective January 11, 2009, the Department's systems will be modified to set the default for split zip codes to a "no charge" status. If a positive determination is not made by Sound Transit in advance of billing, customers will not be billed for the tax.

In addition, the Department has adopted internal procedures, which will require any taxing jurisdiction working with the Department to make positive determination of tax applicability prior to renewal notices being produced. This will remove the responsibility for tax determination from the customer and avoid the possibility of similar situations in the future.

AUDITOR'S REMARKS

We thank Sound Transit and Department of Licensing officials and personnel for their assistance and cooperation during the investigation.

INVESTIGATION CRITERIA/POLICIES

We came to our determination in this investigation by evaluating the facts against the criteria below:

RCW 81.112.030 (8)

The authority shall place on the ballot within two years of the authority's formation, a single ballot proposition to authorize the imposition of taxes to support the implementation of an appropriate phase of the plan within its service area

RCW 81.104.160 (1) (1992 version, amended 2003)

[r]egional transit authorities may submit an authorizing proposition to the voters, and if approved, may levy and collect an excise tax, at a rate approved by the voters, but not exceeding eighty one-hundredths of one percent on the value, under chapter 82.44 RCW, of every motor vehicle owned by a resident of the taxing district, solely for the purpose of providing high capacity transportation service

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