Transportation funding: Retail delivery fee

2025

A potential revenue source to support Washington's underfunded transportation system

Background

Demand for retail deliveries in Washington has steadily increased in recent years and is projected to remain a significant form of commerce for the state. As a result, cities and towns have seen a rise in larger, heavier delivery vehicles that cause more strain on local roads than typical vehicles. Moreover, as gas tax revenue fails to keep up with funding demands, cities and towns must rely on other sources to support critical preservation, maintenance, and operations.

A retail delivery fee (RDF) could be a revenue solution for cities to address their growing backlog of funding needs.

What is a retail delivery fee?

An RDF is a fee imposed on the purchase of taxable retail items delivered by motor vehicles in the state. Generally, the retailer or marketplace facilitator that collects the sales tax on the tangible personal property sold is liable to collect and remit the fee.

Two states have enacted RDFs: Colorado and Minnesota. Colorado's fee went into effect July 1, 2022; Minnesota's took effect July 1, 2024.

Enacted retail delivery fees

State: Colorado	**State:** Minnesota
Fee: 28 cents per order	**Fee:** 50 cents per order
Exemption: Businesses with <$500k annual sales	**Exemptions:** Orders <$100; businesses with <$1 million annual sales
Revenue: $69.7 million in 2024	**Revenue:** $59 million projected in 2025

In a recent study of the possibility of enacting an RDF in Washington, researchers for the JTC considered various scenarios for the fee, including exemptions for small businesses and for orders under a $75 threshold. They found that, depending on each scenario, the annual revenue-generating potential of a 30-cent fee could range from $45 to $112 million in 2026 and $59 to $160 million by 2030.

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Why a retail delivery fee?

Online retail spending in Washington grew at an average annual rate of nearly 17 % from 2019 to 2023. Washington's e-commerce retail sales make up about 20% of the state's total retail sales, much greater than the 15% share seen in the United States as a whole.

By attributing a portion of the costs associated with road usage to each delivery, the fee would help to ensure fair and equitable distribution of the financial burden among retailers, consumers, and delivery services, and keep our publicly funded statewide infrastructure a functioning, safe, accessible system.

more on back

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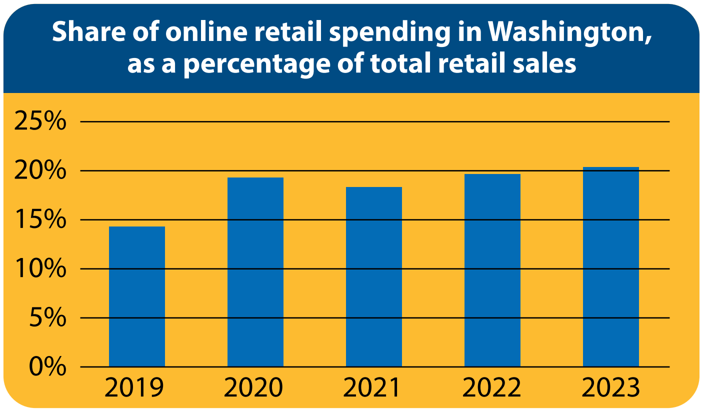
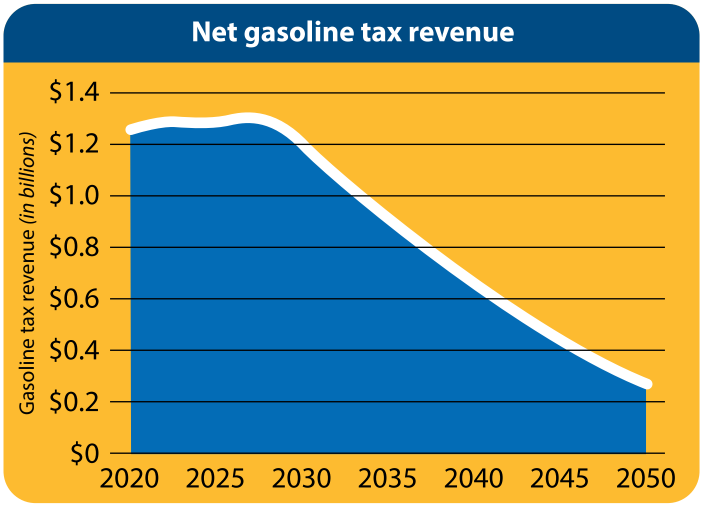


Source: Analysis of Replica data by CDM Smith, 2024



Source: Forward Drive RUC Research and Pilot Testing: Final Report, 2024

Transportation funding in Washington

For decades, the state motor vehicle fuel tax was a sustainable revenue mechanism for state and local governments to fund roadways and transportation infrastructure in Washington.

However, the growing market share of electric vehicles and the increasing fuel economy of traditional internal combustion engines have meant the state fuel tax is no longer a reliable revenue source. The impacts of the decline in gas tax revenue are felt acutely at the local level.

Approximately 69% of city transportation expenditures are sourced from their general funds. As a result, road and bridge maintenance must compete for funding with public safety, parks and recreation, and other city priorities.

Rising costs and competing demands for funding, combined with a decline in revenues and limited sources of transportation funding, have led to a structural budget deficit that prevents cities and towns from maintaining and building safe, accessible transportation systems.

The Joint Transportation Commission's (JTC) recent Statewide Transportation Needs Assessment estimated that cities will need $20 to $28 billion dollars for maintenance and preservation through 2031, far above current funding levels.

An RDF could be a new revenue stream to help fund Washington's transportation system at both the state and local levels.

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