

**SENATE BILL REPORT**

**SB 5121**

**AS REPORTED BY COMMITTEE ON LAW & JUSTICE, FEBRUARY 25, 1993**

**Brief Description:** Requiring disclosure to consumers of relative costs of leasing and purchasing automobiles.

**SPONSORS:** Senators A. Smith, Rinehart and Quigley

**SENATE COMMITTEE ON LAW & JUSTICE**

**Majority Report:** That Substitute Senate Bill No. 5121 be substituted therefor, and the substitute bill do pass.

Signed by Senators A. Smith, Chairman; Quigley, Vice Chairman; Hargrove, McCaslin, Nelson, Niemi, Rinehart, Roach, and Spanel.

**Staff:** Tom Fender (786-7414)

**Hearing Dates:** February 5, 1993; February 25, 1993

**BACKGROUND:**

It has been reported that as a consequence of IRS changes in the deductibility of interest and increasing capital costs of automobiles that more Washington citizens are renting vehicles. Rental agreements for personal property that is not used for business or agricultural purposes and exceed four months in length are classified as consumer leases under current law. A lease may or may not provide for the purchase of the property at the conclusion of the rental agreement.

There is a concern that consumers may be misled into leasing by the economic expediency of no down payment and a lower monthly payment during the duration of the lease. Subject to this rationale, should the consumer choose to exercise an option to purchase, there is in most cases a higher total cost of purchase.

**SUMMARY:**

Motor vehicle leases are distinguished from other consumer leases and a lessor is required to disclose in a lease with option to purchase a comparison between the lease purchase and a purchase. The capitated cost and equivalent interest rates for motor vehicles must be disclosed as well as any trade-in vehicle sales tax credit. Forms for these disclosures are prescribed.

**EFFECT OF PROPOSED SUBSTITUTE:**

Motor vehicle leases are distinguished from other consumer leases and a lessor is required to disclose in a lease with option to purchase the capitated cost for the motor vehicle as

well as any trade-in vehicle sales tax credit. Forms for these disclosures are prescribed. The Attorney General shall report on these provisions in 1995.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

Greater disclosure on the financial consequences of lease option purchases is needed to inform consumers.

**TESTIMONY AGAINST:**

Lease/purchase interest cannot be compared to purchase interest. No federal standard exists for lease interest rates.

**TESTIFIED:** Steve Keeler, Craig Rice, WA Chapter National Vehicle Leasing Assn. (con); Jon Rogers, GMAC (con); Doug Walsh, Attorney General's Office; Earl Goodman (pro); Peter Maier (pro); Colleen Shinpaugh (pro); Dan Glaefke, American Lease Co. (con); Jim White, Good Leasing Co. (con); Heather Hamilton, Dept. of Licensing (pro)