

HB 2405

Bill Analysis

January 20, 1998

Brief Description: Granting business and occupation tax exemptions for wholesale transactions involving motor vehicles at auctions.

Bill Sponsors: Representatives Mulliken, Zellinsky, Robertson, D. Sommers and Boldt.

Staff: Rick Peterson, 786-7150

Background: Washington's major business tax is the business and occupation (B&O) tax. In 1997 the Legislature eliminated the distinction between financial services, selected business services, and other services and consolidated these activities into a single tax rate. These changes will take place July 1, 1998. After July the principal B&O tax rates will be:

Manufacturing, wholesaling, & extracting - 0.484 percent
Retailing - 0.471 percent
Services - 1.5 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Out-of-state companies who bring goods into Washington and sell these goods in Washington must pay B&O tax.

The 1997 legislature provided an exemption for amounts received by motor vehicle manufacturers and their financing subsidiaries from the sale of motor vehicles at wholesale auctions to dealers licensed in this or another state.

Summary of Bill: The motor vehicle wholesale auction B&O tax exemption is extended to include sales by:

- (1) Independent motor vehicle leasing companies not otherwise doing business in the state, and
- (2) Motor vehicle dealers licensed by and located in any other state.

Appropriation: None.

Fiscal Note: Requested.

House of Representatives
Office of Program Research
Finance Committee

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Effective Date: The bill contains an emergency clause and takes effect immediately.