

# HOUSE BILL REPORT

## HB 2858

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**As Reported By House Committee On:**  
Transportation Policy & Budget

**Title:** An act relating to payment of taxes on rental cars.

**Brief Description:** Reflecting current practice for payment of taxes on rental cars.

**Sponsors:** Representatives Zellinsky and Fisher.

**Brief History:**

**Committee Activity:**

Transportation Policy & Budget: 2/2/98 [DPS].

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### HOUSE COMMITTEE ON TRANSPORTATION POLICY & BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives K. Schmidt, Chairman; Hankins, Vice Chairman; Mielke, Vice Chairman; Mitchell, Vice Chairman; Fisher, Ranking Minority Member; Backlund; Buck; Cairnes; Chandler; Constantine; Hatfield; Johnson; McCune; Murray; O'Brien; Ogden; Radcliff; Robertson; Romero; Scott; Skinner; Sterk; Wood and Zellinsky.

**Staff:** Jennifer Hanlon (786-7316).

**Background:** Currently, rental cars are exempt from the motor vehicle excise tax (MVET). In addition to the state's retail sales tax, an additional tax on each retail car rental must be assessed. Revenue generated by this additional tax shall be distributed in the same manner as MVET revenue.

**Summary of Substitute Bill:** For rental cars sold from January 1, 1997, through July 1, 1999, registration is valid for the registration year reflected on the Washington State license plates and on Department of Licensing (DOL) records.

DOL must convene a study group which includes representatives from the Department of Revenue, the rental car industry, and the franchised vehicle dealers' industry. The study group must assess the impact on tax revenues imposed by the rental car sales tax and the rental car exemption. The group must also assess whether the tax currently set on rental car transactions provides revenue neutrality.

The study group must report its findings and recommendations to the transportation committees of the House of Representatives and the Senate by December 31, 1998.

**Substitute Bill Compared to Original Bill:** DOL, the rental car industry and the franchised vehicle dealers are required to study the impact on tax revenues imposed by the rental car sales tax and exemption.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The issue is confusing to car buyers. All parties have agreed to study the issue. This is an opportunity to provide information to the Legislature.

**Testimony Against:** None.

**Testified:** Gordon Walgren, Car & Truck Renting & Leasing Association; Lisa Thatcher, Washington State Auto Dealers; and Jim Wadsworth, Department of Licensing.