

# SENATE BILL REPORT

## HB 1959

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As Reported By Senate Committee On:  
Ways & Means, February 19, 1997

**Title:** An act relating to business and occupation tax exemptions for wholesale transactions involving motor vehicles at auctions.

**Brief Description:** Providing business and occupation tax exemptions for wholesale car auctions.

**Sponsors:** Representatives Robertson, Grant, Mulliken, Cairnes, Mastin, Ogden, Keiser, Dunn and Cooke.

**Brief History:**

**Committee Activity:** Ways & Means: 2/18/97, 2/19/97 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Hochstatter, Kohl, Long, Roach, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** Terry Wilson (786-7433)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the rate on manufacturing, wholesaling, and extracting is 0.506 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 that bring goods into Washington and sell these goods in Washington are subject to the B&O tax.

**Summary of Bill:** A B&O tax exemption is provided 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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** We cannot tax something that is not here. When the cars left the state, so did jobs. Bringing them back will have a positive fiscal impact on the state because we will collect B&O tax on the retail sale of these cars. The impact of losing the factory program cars on auto auctions was dramatic. The Puget Sound Auto Auction is operating at 30

percent of capacity which is about 70 employees. These are high paying trades jobs. GM is waiting for this bill to pass to start selling their cars here. This bill makes Washington competitive with other states.

**Testimony Against:** None.

**Testified:** PRO: Representative Robertson, prime sponsor; Rick Jensen, Puget Sound Auto Auction.