

SENATE BILL REPORT

SB 6112

As of February 3, 1998

Title: An act relating to reductions in motor vehicle excise tax through uniform reductions in vehicle value.

Brief Description: Reducing motor vehicle excise tax through uniform reductions in vehicle value.

Sponsors: Senators Haugen, Goings, Prentice, Heavey, Hargrove, Patterson, Rasmussen, Kohl, Brown, McAuliffe, Fairley, B. Sheldon, Fraser, Franklin, Spanel, Snyder, T. Sheldon, Loveland, Thibaudeau, Jacobsen, Kline, Wojahn and Bauer.

Brief History:

Committee Activity: Ways & Means: 2/2/98.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The state imposes an excise tax for the privilege of using a motor vehicle on the highways of the state. The tax is levied annually on the value of the vehicle. For all trucks over 6,000 pounds, the value is determined by the sales price. For all other vehicles, the value is determined by the base manufacturer's suggested retail price. These values are reduced each year according to a statutory schedule.

The rate for motor vehicles and log trucks is 2.2 percent, consisting of a basic rate of 2.0 percent and a surtax of 0.2 percent. In addition, a clean air excise tax of \$2 is imposed. The tax for truck-type power units used in combination with trailers for loads over 40,000 pounds, unless to haul logs, is subject to an additional surtax of 0.58 percent for a total rate of 2.78 percent. The trailer is exempt.

Summary of Bill: The value of automobiles, motorcycles, light trucks, and motor homes used for determining the motor vehicle excise tax is reduced by the lesser of \$2,500, or the value of the vehicle if the value of the vehicle is less than \$2,500. The reduced vehicle value applies only to the 2.2 percent rate and is funded from the general fund. No other distributions are affected.

Appropriation: None.

Fiscal Note: Requested on January 12, 1998.

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

Testimony For: This is a tax break for working families. People complain about this tax more than any other. Reducing the value addresses the issue of the loss in value that occurs

as soon as you drive a vehicle off the sales lot. This fixes the problem of paying tax on the MSRP when you actually pay less than the MSRP.

Testimony Against: None.

Testified: PRO: Senator Haugen, prime sponsor; Paul Locke, citizen.