

# SENATE BILL REPORT

## SB 6197

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As of January 21, 1998

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

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

**Sponsors:** Senators West, Hale and Roach.

**Brief History:**

**Committee Activity:** Ways & Means: 1/20/98.

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### SENATE COMMITTEE ON WAYS & MEANS

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

**Background:** Washington's major business tax is the business and occupation (B&O) tax. 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. Although there are several different rates, the rate on manufacturing, wholesaling, and extracting is 0.484 percent.

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.

**Summary of Bill:** The wholesale auction exemption is expanded to include independent motor vehicle leasing companies not otherwise doing business in the state and motor vehicle dealers licensed by and located in another state.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Wholesale auto auctions are low profile but account for a lot of sales. They are successful if there is regional participation. Rental fleets make up a big part of the resale business. The bill allows cars to come into the state and helps the support businesses. It preserves the taxable, collectible revenue and will allow business to continue to grow. This does not affect the competitiveness between dealers.

**Testimony Against:** The car price is set by the market. In-state dealers must pay a B&O tax on their sales that out-of-state dealers would not and this increases the cost to in-state business and results in a competitive disadvantage. Washington sells significantly fewer new vehicles than other state because of the taxes.

**Testified:** PRO: Gordon Walgren, Greg Mahugh, Dealers Auto Auction Group; CON: Jim Boldt, Wayne Shifman, WA Auto Dealers Assoc.