

SENATE BILL REPORT

SB 5096

As of March 3, 1999

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 B. Sheldon, West, Loveland, Hale, McCaslin, Rossi, Goings, Johnson, Gardner, Winsley, McAuliffe and Oke.

Brief History:

Committee Activity: Ways & Means: 3/2/99.

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: This is a dealers-only auction. Fifty percent of the business comes from outside the state. This includes buyers and sellers and the auction can be anywhere. It generates \$1.9 million in restaurant and hotel/motel taxes in the Spokane area. It also supports local auto repair and other businesses. DOR has attempted to collect the tax on the out-of-state businesses at a high cost and revenues have been minimal. This bill is critical

to a regional auction. This allows instate dealers to get a wide selection of cars for their customers conveniently.

Testimony Against: Instate dealers have to pay the tax. This puts them at a competitive disadvantage. SB 5695 solves both problems.

Testified: PRO: Rick Jensen, Gordon Walgren, Greg Mahugh, Dealers Auto Auction Group; T. K. Bentler, Washington State Independent Auto Dealers Association; Con: Jim Bolt, Washington Auto Dealers.