

HOUSE BILL REPORT

HB 1582

As Reported by House Committee On:

Finance

Title: An act relating to use tax on motorcycles loaned to the department of licensing or its contractors for purposes of providing motorcycle training.

Brief Description: Exempting certain motorcycles used for training from the use tax.

Sponsors: Representatives Hatfield, Delvin, Cooper, Ericksen, Linville, Kenney, Rockefeller and Lisk; by request of Department of Licensing.

Brief History:

Committee Activity:

Finance: 2/13/01, 2/21/01 [DP].

Brief Summary of Bill

- An exemption from the use tax is provided for the use of motorcycles for training purposes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

The use tax is imposed on items used in the state which were not subject to the retail sales tax. Tax liability arises when property is first put to use in the state, whether the property is purchased by a seller that is not required to collect sales tax, is received as a gift, is extracted or manufactured and used by the extractor or manufacturer, or is acquired by bailment, which is the act of placing property in the custody and control of another. The state and local rates are the same as those imposed under the retail sales tax: 6.5 percent rate for the state, and a statutory maximum of 3.1 percent for cities and counties. Actual local rates range from 0.5 percent to 2.3 percent. Use tax is paid

directly to the Department of Revenue.

All items in the use tax base are subject to the tax unless specifically exempted. An exemption is provided to the use of property donated to a state or local governmental entity, and to the subsequent use of the same property by a person to whom the property is loaned, as long as the person's use is consistent with the purpose for which the property was originally donated.

The Department of Licensing runs a voluntary motorcycle operator training and education program. The department is authorized to contract with private individuals for the instruction. Under the use tax exemption for property donated to the department, the department pays no use tax on motorcycles donated to the department. However, motorcycles that are loaned to private individuals who provide training under contract with the department are subject to the use tax.

Summary of Bill:

An exemption from the use tax is provided for the use of motorcycles that are obtained by the department of licensing or by persons under contract with the department to provide motorcycle training under the department motorcycle operator training and education program.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The Department of Licensing (DOL) provides a voluntary motorcycle safety and education program. In running the program, DOL contracts with persons who provide instruction. Some of these persons borrow motorcycles to provide the instruction. The Department of Revenue has granted DOL a temporary use tax waiver, and DOL has agreed to seek legislative remedy of the issue.

Testimony Against: None.

Testified: Gary Zimwalt, Department of Licensing.