

SENATE BILL REPORT

SHB 1119

As Reported By Senate Committee On:
Ways & Means, April 2, 2001

Title: An act relating to the business and occupation taxation of sales of new and used motor vehicles.

Brief Description: Modifying the taxation of new and used motor vehicle sales.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Schoesler (co-prime sponsor), Gombosky (co-prime sponsor), Ahern and Schindler).

Brief History:

Committee Activity: Ways & Means: 4/2/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Long, Parlette, Rasmussen, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Winsley and Zarelli.

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 wholesaling is 0.484 percent and the rate on retailing is 0.471 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 may be subject to the B&O tax.

Washington does not apply B&O tax on sales of goods which originate outside the state unless the goods are received by the purchaser in this state and the out-of-state seller has a connection to Washington. If the goods are located in Washington at the time of sale or the out-of-state seller either directly or by an agent performs significant services to establish or maintain sales in Washington, then a sufficient connection exists for Washington tax to apply.

In 1997, the Legislature exempted from B&O tax wholesales of vehicles owned by motor vehicle manufacturers and their financing subsidiaries when sold to dealers at auto auctions.

Summary of Bill: Auto dealers, licensed in Washington or another state, are exempt from the business and occupations tax on wholesales of used motor vehicles to licensed dealers at auto auctions.

New car dealers are exempt from the business and occupations tax on sales of new vehicles to another new vehicle dealer for the purpose of adjusting inventory levels.

In-state dealers that make courtesy deliveries of new vehicles on behalf of out-of-state vehicle dealers are deemed to be agents of the out-of-state dealers. Business and occupation tax must be paid on the sales of these vehicles. The tax paid by the in-state dealer is a debt of the selling dealer. The in-state dealer may withhold the tax from the proceeds of the sale.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.

Testimony For: This bill is an agreement with the Department of Revenue. Courtesy dealers are agents for out-of-state sellers. There is an oral contract and a fee is charged. The regional auto auctions are limited to licensed dealers. Cars come from all over the country and go all over the country. It is easy to go to other auctions. The B&O tax is a disincentive to stay.

Testimony Against: None.

Testified: PRO: Jim Boldt, WA State Auto Dealers Assn.; Rick Jensen, Dealers Auto Auction NW-Spokane, ADESA-Seattle.