

# FINAL BILL REPORT

## SB 5032

---

---

C 107 L 15  
Synopsis as Enacted

**Brief Description:** Specifying when a transaction in the form of a lease does not create a security interest for purposes of the uniform commercial code.

**Sponsors:** Senators Pedersen and O'Ban.

**Senate Committee on Law & Justice**  
**House Committee on Judiciary**

**Background:** The Uniform Commercial Code (UCC) controls commercial transactions between merchants, such as equipment sales and leases. Washington laws follow the UCC. For commercial transactions, the UCC distinguishes leases from secured sales based on the transactions' terms. Bankruptcy and tax laws vary depending on whether a transaction is a lease or a sale subject to a seller's retained security interest.

A common commercial lease term allows rental payments to change based on the sale amount when the leasing company sells the equipment. These leases are commonly called terminal rental adjustment or TRAC leases. In 2012 the Legislature amended the commercial code provisions distinguishing leases from secured sales. Currently these provisions do not address TRAC leases.

**Summary:** Case-specific facts determine if a transaction in lease form creates a lease or a security interest. A transaction in lease form does not create a security interest merely because it contains a TRAC provision.

**Votes on Final Passage:**

Senate	46	1
House	97	0

**Effective:** July 24, 2015

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*