

# SENATE BILL REPORT

## SB 5927

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As of January 23, 2020

**Title:** An act relating to modifying the definition of retail car rental for the purposes of chapter 82.08 RCW in order to create tax equity.

**Brief Description:** Modifying the definition of retail car rental for the purposes of chapter 82.08 RCW in order to create tax equity.

**Sponsors:** Senators Saldaña, King, Hobbs and Hasegawa.

**Brief History:**

**Committee Activity:** Ways & Means: 1/21/20.

**Brief Summary of Bill**

- Modifies the definition of retail car rental, for sales tax purposes, to include any passenger car the owner offers for rental, without an operator, through a marketplace facilitator.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on the location.

Rental Car Tax. In addition to state and local retail sales taxes, rental cars are subject to an additional tax at a state rate of 5.9 percent of the retail rental price. A county may also impose a 1 percent tax on rental cars to fund public sports facilities and activities. A 0.8 percent tax is imposed on car rentals within an area designated as being within the jurisdiction of the Regional Transit Authority, and a 2 percent tax may be imposed by a county with a population of 1 million or more to fund a baseball stadium.

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*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.*

The tax applies to passenger cars used for rental purposes for periods of less than 30 days. A rental car is a passenger car designed for carrying ten passengers or less and is used for transporting people. A rental car is not a vehicle:

- rented or loaned to a customer by an automotive repair business while the customer's vehicle is under repair;
- licensed and operated as a taxicab;
- that is leased; or
- that is designed, used, or maintained for the transportation of property, commodities, merchandise, produce, freight, or animals.

The Department of Licensing's Motor Vehicle Licensing Division, sets the requirements for determining if a vehicle must be licensed as a rental vehicle.

All revenue generated from the additional state tax on rental cars is deposited into the Multimodal Transportation Account.

Personal Vehicle Sharing Program. State law allows a person to register their car or truck with a licensed car sharing company to facilitate renting the vehicle to a licensed driver for personal purposes only. The service is subject to general state and local retail sales and use taxes, but not subject to additional taxes specifically imposed on rental cars.

**Summary of Bill:** The definition of retail car rental, for purposes of the additional tax on rental cars, is amended to include any other passenger car that the owner offers for rental, without an operator, through a marketplace facilitator.

The definition does not include car rentals for a period exceeding more than 30 consecutive days.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: There has been a lot of growth and success in the car sharing platform industry. This bill would level the playing field among market participants. Several other states have enacted similar policies to create fairness among the industry.

CON: The effect of this bill is that car sharing companies will be considered rental car companies which will shift the insurance liability to the car owner and not the car sharing platform. Car sharing platforms allow car-owners an ability to supplement their income. The industry provides a fast, low-cost way for people to access a vehicle. Car sharing platforms benefit the environment by reducing the amount of cars on the road, which means less pollution and less traffic. This bill is an unnecessary attempt to restrict a growing

technology. Peer to peer car sharing is a convenient, safe, and secure way for people to connect with others through the internet and share their vehicle. This bill would treat vehicle owners the same as large, profitable rental car companies. Vehicle owners using car sharing platforms are required to pay taxes that do not apply to rental car companies. There are a number of tax loopholes available to rental car companies that do not apply to people using car sharing platforms.

**Persons Testifying:** PRO: Jeff Gombosky, Enterprise Holdings.

CON: Mel Sorensen, Allstate; American Property and Casualty Insurance Association; Paul Erlandson, General Manager, Getaround; Brent Ludeman, Turo; Samantha Kersul, TechNet; Anna Powell, Comp TIA.

**Persons Signed In To Testify But Not Testifying:** No one.