

# FINAL BILL REPORT

## SHB 2158

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Synopsis as Enacted

**Brief Description:** Concerning the sales of vehicles and associated services to nonresidents of Washington.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Hasegawa, Fromhold, O'Brien, Orcutt, Condotta, Ormsby, Roach, Kristiansen, Ericks, Curtis, Kenney and Moeller).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property (TPP) and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Washington law provides a general sales and use tax exemption for TPP purchased in the state by nonresidents for use outside the state. To qualify for the exemption, a nonresident individual must: (1) be a bona fide resident of a state or possession of the United States or a province of Canada; (2) reside in a state, possession, or province that does not impose a retail sales or use tax of 3 percent or more, or if imposing such a tax, provides an exemption for Washington residents; (3) agree, when requested, to grant the Department of Revenue (DOR) access to records or other information necessary to confirm that the property is not first used substantially in Washington; and (4) display proof of his or her current nonresident status.

In lieu of this general sales and use tax exemption for nonresidents, Washington law provides a specific exemption for the purchase of motor vehicles, trailers, and campers by nonresidents for use outside the state. To qualify for the exemption, the vehicle must be: (1) removed from the state under the authority of a trip permit issued by the Department of Licensing; or (2) registered and licensed in the state of the buyer's residence, used in this state for less than three months, and exempt from Washington licensing requirements.

A seller must retain a properly completed buyer's affidavit and seller's certificate. A buyer's affidavit documents the exempt nature of the sale unless there are facts that negate the presumption that the seller relied on the buyer's affidavit in good faith.

**Summary:**

The sales and use tax exemption for motor vehicles, trailers, and campers is modified by specifically listing acceptable documentation to substantiate a buyer's nonresident status. As long as a seller maintains this documentation, the seller is not liable for sales tax if the DOR finds evidence during an audit negating the presumption of nonresidency.

The DOR's policy of allowing the nonresident sales and use tax exemption for separately itemized TPP for motor vehicles, trailers, and campers is codified. To receive the exemption, the charge for TPP must be stated separately from any labor and services, and the cost of the property must not exceed either the seller's current publicly stated retail price for parts, or if no separately stated retail price is available, the seller's cost for the parts.

The buyer of a motor vehicle, trailer, or camper is authorized to use a trip permit from his or her state of residency in lieu of a Washington state vehicle trip permit.

Monetary and criminal penalties for fraudulent statements regarding residency relating to the purchase of motor vehicles, campers, and trailers are made consistent with the penalty provisions in the general sales and use tax exemption for tangible personal property.

**Votes on Final Passage:**

House	96	0
Senate	48	0

**Effective:** July 22, 2007