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**Finance Committee**

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**HB 2880**

**Brief Description:** Excluding car-sharing activities from the rental car tax.

**Sponsors:** Representatives Kenney, McIntire, Dickerson, Quall, Pettigrew, Cody, Roberts, Pedersen, Morrell and Simpson.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Exempts car-sharing activities from sales and use tax.</li></ul>
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**Hearing Date:** 1/30/08

**Staff:** Jeff Mitchell (786-7139).

**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 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.

Retail sales and use taxes apply to the rental of cars. Rental cars are defined as passenger cars that are rented by rental car companies to customers, without drivers, for a period of time not in excess of thirty consecutive days. In addition to retail sales and use taxes, specific state and local taxes apply exclusively to car rentals. These are referred to as car rental taxes. The state imposes an additional car rental tax of 5.9 percent for deposit into the Multimodal Transportation Account. Counties may impose an additional 1 percent tax on car rentals. Currently, four counties levy this tax: Franklin, King, Pierce, and Spokane. King County imposes a second car rental tax at the rate of 2 percent for Safeco Field. Sound Transit is also authorized to impose a car rental tax at the rate of 2.172 percent, however, Sound Transit currently imposes the tax at a rate of 0.8 percent. King, Snohomish, and Pierce counties are authorized to impose a car rental

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tax at the rate of 0.805 percent, however, these counties do not currently impose the tax. In King County, the combined rate for state and local retail sales and use taxes and car rental taxes is 18.7 percent.

Car sharing is a membership program that offers an alternative to car ownership under which persons or entities that become members are permitted to use vehicles from a fleet on an hourly, as-needed basis. Members pay hourly each time they use a vehicle. Vehicles are strategically located near homes, employment centers, and bus, transit, and ferry lines.

In 2007, the Department of Revenue determined that car sharing activities are subject to car rental taxes.

**Summary of Bill:**

Car sharing activities are exempted from car rental taxes. General state and local retail sales and use taxes still apply to car sharing activities. To qualify for the exemption, the car sharing business must meet the following requirements: vehicles are provided to members of the business; the business charges a membership fee separate from the charge for the specific use of a vehicle; the average usage period for vehicles was less than eight hours in the previous calendar year; vehicles are available to members at dispersed locations and the locations are not owned or controlled by the business; and no separate agreement is required each time a members reserves and uses a vehicle.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2008.