

HOUSE BILL REPORT

SSB 5967

As Reported by House Committee On:
Finance

Title: An act relating to the sales of vehicles and associated services to nonresidents of Washington.

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Pridemore, Zarelli, Berkey, Schoesler, Eide, Marr, Parlette, Sheldon, Tom, Hobbs, Carrell, Hatfield, Honeyford, Roach, Shin and Benton).

Brief History:

Committee Activity:

Finance: 3/27/07 [DP].

Brief Summary of Substitute Bill

- Prescribes seller documentation requirements for sales of vehicles to nonresidents.
- Exempts properly itemized tangible personal property sold to a nonresident as part of a vehicle repair or installation service from sales and use tax.
- Allows a buyer of a vehicle to use a trip permit from the buyer's state of residency in lieu of a Washington vehicle trip permit.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

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.

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 TPP 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 the general sales and use tax exemption, described above, 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. The seller must also properly document that the buyer is a nonresident of Washington. 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 of Bill:

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.

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 TPP.

The sales and use tax exemption for the purchase of TPP for motor vehicles, trailers, and campers by nonresidents, as part of the servicing of a vehicle, trailer, or camper is clarified. 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 their state of residency in lieu of a Washington vehicle trip permit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This is a priority bill for the auto dealers. The goal of this bill is to level the competitive playing field with Oregon and Idaho.

(Opposed) None.

Persons Testifying: Scott Hazlegrove, Washington State Auto Dealers Association.

Persons Signed In To Testify But Not Testifying: None.