

HOUSE BILL REPORT

HB 2447

As Reported By House Committee On:

Finance

Title: An act relating to business and occupation tax exemptions for wholesale transactions involving motor vehicles at auctions.

Brief Description: Providing business and occupation tax exemptions for auctions and wholesale transactions involving motor vehicles.

Sponsors: Representatives Robertson, Cairnes, L. Thomas, Silver, Mulliken and Carrell.

Brief History:

Committee Activity:

Finance: 1/29/96, 2/5/96 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 1 member: Representative Dickerson, Assistant Ranking Minority Member.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the principal rates are:

Manufacturing, wholesaling, & extracting - 0.506 percent

Retailing - 0.471 percent

Services:

- Business Services - 2.5 percent
- Financial Services - 1.7 percent
- Other activities - 2.09 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Out-of-state companies who bring goods into Washington and sell these goods in Washington must pay B&O tax.

Summary of Substitute Bill: Wholesales of motor vehicles at auctions to dealers licensed in Washington or another state are exempt from business and occupation Tax.

Substitute Bill Compared to Original Bill: The original bill exempted auction sales and sales of fleets by Washington dealers. The substitute bill exempts only auction sales.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: The B&O tax on wholesaling has forced General Motors and other manufacturers to move their auction sales of lease and rental return cars to Oregon. Washington is the only state to tax wholesale auction sales. This bill will open the door for manufacturers to return their program cars to Washington. The large auctions draw car dealers from other states and provide jobs. Now Washington dealers must travel to other states to buy these cars. The return of the General Motors and Ford cars to Washington auto auctions will generate more in economic activity and state revenue than the cost of the exemption. The bill should deal with fleet sales by Washington car dealers. The Washington dealers cannot successfully bid on fleet sales due to the B&O tax on these sales.

Testimony Against: None.

Testified: Representative Eric Robertson, prime sponsor (pro); Rick Jensen, ADT Automotive Inc. (pro); Gordon Wahgren, South Seattle Auto Auction (pro); and Jim Boldt, Washington Auto Dealers (concerns).