

HOUSE BILL REPORT

SHB 2858

As Amended by the Senate

Title: An act relating to payment of taxes on rental cars.

Brief Description: Reflecting current practice for payment of taxes on rental cars.

Sponsors: By House Committee on Transportation Policy & Budget (originally sponsored by Representatives Zellinsky and Fisher).

Brief History:

Committee Activity:

Transportation Policy & Budget: 2/2/98 [DPS].

Floor Activity:

Passed House: 2/10/98, 96-0.

Senate Amended.

HOUSE COMMITTEE ON TRANSPORTATION POLICY & BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives K. Schmidt, Chairman; Hankins, Vice Chairman; Mielke, Vice Chairman; Mitchell, Vice Chairman; Fisher, Ranking Minority Member; Backlund; Buck; Cairnes; Chandler; Constantine; Hatfield; Johnson; McCune; Murray; O'Brien; Ogden; Radcliff; Robertson; Romero; Scott; Skinner; Sterk; Wood and Zellinsky.

Staff: Jennifer Hanlon (786-7316).

Background: Currently, rental cars are exempt from the motor vehicle excise tax (MVET). In addition to the state's retail sales tax, an additional tax on each retail car rental must be assessed. Revenue generated by this additional tax shall be distributed in the same manner as MVET revenue.

Summary of Bill: For rental cars sold from January 1, 1997, through July 1, 1999, registration is valid for the registration year reflected on the Washington State license plates and on Department of Licensing (DOL) records.

DOL must convene a study group which includes representatives from the Department of Revenue, the rental car industry, and the franchised vehicle dealers' industry. The

study group must assess the impact on tax revenues imposed by the rental car sales tax and the rental car exemption. The group must also assess whether the tax currently set on rental car transactions provides revenue neutrality.

The study group must report its findings and recommendations to the transportation committees of the House of Representatives and the Senate by December 31, 1998.

EFFECT OF SENATE AMENDMENT(S): Rental car companies must alter the year and month tabs to render the plate void of any designation of year and month. When the retail sale of the vehicle occurs, the MVET is assessed for a full twelve months. An emergency clause is added to the bill because the current process causes public confusion and the Department of Licensing plans to start a new process by April 1, 1998.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The issue is confusing to car buyers. All parties have agreed to study the issue. This is an opportunity to provide information to the Legislature.

Testimony Against: None.

Testified: Gordon Walgren, Car & Truck Renting & Leasing Association; Lisa Thatcher, Washington State Auto Dealers; and Jim Wadsworth, Department of Licensing.