

FINAL BILL REPORT

SHB 1119

C 258 L 01

Synopsis as Enacted

Brief Description: Modifying the taxation of new and used motor vehicle sales.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Schoesler, Gombosky, Ahern and Schindler).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the rate on wholesaling is 0.484 percent and the rate on retailing is 0.471 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 that bring goods into Washington and sell these goods in Washington may be subject to the B&O tax.

Washington does not apply B&O tax on sales of goods which originate outside the state unless the goods are received by the purchaser in this state and the out-of-state seller has a connection to Washington. If the goods are located in Washington at the time of sale or the out-of-state seller either directly or by an agent performs significant services to establish or maintain sales in Washington then a sufficient connection exists for Washington tax to apply.

In 1997 the Legislature exempted from B&O tax wholesales of vehicles owned by motor vehicle manufacturers and their financing subsidiaries when sold to dealers at auto auctions.

Summary:

Auto dealers, licensed in Washington or another state, are exempt from the business and occupations tax on wholesales of used motor vehicles to licensed dealers at auto auctions.

New car dealers are exempt from the business and occupations tax on sales of new vehicles to another new vehicle dealer for the purpose of adjusting inventory levels.

In-state dealers that make courtesy deliveries of new vehicles on behalf of out-of-state vehicle dealers are deemed to be agents of the out-of-state dealers. Business and occupation tax must be paid on the sales of these vehicles. The tax paid by the in-state dealer is a debt of the selling dealer. The in-state dealer may withhold the tax from the proceeds of the sale.

Votes on Final Passage:

House 94 0

Senate 47 0

Effective: July 1, 2001