

SENATE BILL REPORT

SB 5790

As Reported By Senate Committee On:
Ways & Means, March 7, 2005

Title: An act relating to the taxation of motor vehicles.

Brief Description: Modifying motor vehicle taxation.

Sponsors: Senators Doumit, Schoesler and Pridemore.

Brief History:

Committee Activity: Ways & Means: 2/28/05, 3/7/05 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5790 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Brandland, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Hewitt and Roach.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Parlette, Pflug and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. The use tax is a complimentary tax to the sales tax. Use tax is due on an item of tangible personal property used in the state in which sales tax was not collected. As the sales and use tax are complimentary they have the same rates. Sales and use tax rates vary between 7 and 8.9 percent, depending on location. For motor vehicles, there is an additional rate of 0.3 of 1 percent.

Summary of Substitute Bill: An additional use tax rate of 0.471 percent is applied to motor vehicles.

Substitute Bill Compared to Original Bill: Clarifies that this is not a new tax, but an additional rate to the current use tax on motor vehicles.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2005.

Testimony For: The B&O tax effects dealer competitiveness against out of state dealers. This is because of the high value low margin nature of the business. Big companies are making their purchases out of state. I know of dealers that have lost out on big sales to companies by just a few hundred dollars. Every resident should pay their fair share in taxes.

Testimony Against: None.

Other: We would like an amendment to make sure that this does not apply the use tax to people purchasing at a wholesale auto auction.

Who Testified: PRO: Pat Sari, Columbia Ford; Scott Hazlegrove, Washington State Auto Dealers Association. OTHER: Rick Jensen, Dealers Auto Auction NW.