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**HOUSE BILL 1122**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Representatives MacEwen, Shea, Stokesbary, Walsh, and Young

AN ACT Relating to directing sales and use tax revenues from the acquisition of motor vehicles to the motor vehicle account; amending RCW 82.08.020 and 82.12.045; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The legislature finds the following:

(a) The state transportation system depends on the fuel tax for a significant portion of the funding for both capital improvements and system preservation and operations;

(b) The fuel tax is dedicated to highway purposes, including transportation highway infrastructure;

(c) Over the next ten years, under current forecasting assumptions, the growth in fuel consumption is expected to stagnate;

(d) Further advancements in technology and consumer preferences and changes toward more aggressive environmental policies could accelerate the deterioration of the fuel tax base;

(e) Sales and use taxes on the acquisition of motor vehicles are a revenue source that grows with the economy and has a nexus with the transportation system; and

(f) The retail sales and use tax base on transactions other than vehicles, and the tax bases for the taxes that otherwise support the state general fund, are robust and continually expanding.

(2) It is therefore the intent of the legislature to direct retail sales and use taxes on the acquisition of motor vehicles to the motor vehicle fund to ensure a stable source of funding for the state transportation system.

**Sec.**  RCW 82.08.020 and 2014 c 140 s 12 are each amended to read as follows:

(1) There is levied and collected a tax equal to six and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include:

(a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, unless the farm tractor or farm vehicle is for use in the production of marijuana;

(b) Off-road vehicles as defined in RCW 46.04.365;

(c) Nonhighway vehicles as defined in RCW 46.09.310; and

(d) Snowmobiles as defined in RCW 46.04.546.

(5) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits of government account created in RCW 43.09.475.

(6) The taxes imposed under this chapter apply to successive retail sales of the same property.

(7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

(8)(a) Beginning in fiscal year 2020, a portion of the tax imposed under subsection (1) of this section on the retail sale of a motor vehicle in this state must be deposited to the motor vehicle fund for the sole purpose of funding transportation infrastructure. The disposition of the tax on the retail sale of motor vehicles is as follows:

(i) In fiscal year 2020, twenty percent of the collections must be deposited to the motor vehicle fund;

(ii) In fiscal year 2021, forty percent of the collections must be deposited to the motor vehicle fund;

(iii) In fiscal year 2022, sixty percent of the collections must be deposited to the motor vehicle fund;

(iv) In fiscal year 2023, eighty percent of the collections must be deposited to the motor vehicle fund; and

(v) In fiscal year 2024 and thereafter, all of the collections, except as otherwise provided by law, must be deposited to the motor vehicle fund.

(b) For the purposes of this subsection (8), "motor vehicle," except within the context of "motor vehicle fund," has the same meaning as provided in subsection (3) of this section.

**Sec.**  RCW 82.12.045 and 2010 c 161 s 904 are each amended to read as follows:

(1) In the collection of the use tax on vehicles, the department of revenue may designate the county auditors of the several counties of the state as its collecting agents. Upon such designation, it shall be the duty of each county auditor to collect the tax at the time an applicant applies for transfer of certificate of title to the vehicle, except when the applicant:

(a) Exhibits a dealer's report of sale showing that the retail sales tax has been collected by the dealer;

(b) Presents a written statement signed by the department of revenue, or its duly authorized agent showing that no use tax is legally due; or

(c) Presents satisfactory evidence showing that the retail sales tax or the use tax has been paid by the applicant on the vehicle in question.

(2) As used in this section, "vehicle" has the same meaning as in RCW 46.04.670.

(3) It ((~~shall be~~)) is the duty of every applicant for registration and transfer of certificate of title who is subject to payment of tax under this section to declare upon the application the value of the vehicle for which application is made, which ((~~shall~~)) must consist of the consideration paid or contracted to be paid therefor.

(4) Each county auditor who acts as agent of the department of revenue ((~~shall~~)) must at the time of remitting vehicle license fee receipts on vehicles subject to the provisions of this section pay over and account to the state treasurer for all use tax revenue collected under this section, after first deducting as a collection fee the sum of two dollars for each motor vehicle upon which the tax has been collected. Except as provided in subsections (7) and (8) of this section, all revenue received by the state treasurer under this section ((~~shall~~)) must be credited to the general fund. The auditor's collection fee ((~~shall~~)) must be deposited in the county current expense fund. A duplicate of the county auditor's transmittal report to the state treasurer ((~~shall~~)) must be forwarded forthwith to the department of revenue.

(5) Any applicant who has paid use tax to a county auditor under this section may apply to the department of revenue for refund thereof if he or she has reason to believe that such tax was not legally due and owing. ((~~No~~)) A refund ((~~shall be~~)) is not allowed unless application therefor is received by the department of revenue within the statutory period for assessment of taxes, penalties, or interest prescribed by RCW 82.32.050(4). Upon receipt of an application for refund the department of revenue ((~~shall~~)) must consider the same and issue its order either granting or denying it and if refund is denied the taxpayer ((~~shall have~~)) has the right of appeal as provided in RCW 82.32.170, 82.32.180, and 82.32.190.

(6) The provisions of this section ((~~shall~~)) must be construed as cumulative of other methods prescribed in chapters 82.04 through 82.32 RCW, inclusive, for the collection of the tax imposed by this chapter. The department of revenue ((~~shall have~~)) has power to promulgate such rules as may be necessary to administer the provisions of this section. Any duties required by this section to be performed by the county auditor may be performed by the director of licensing but no collection fee ((~~shall be~~)) is deductible by ((~~said~~)) the director in remitting use tax revenue to the state treasurer.

(7) The use tax revenue collected on the rate provided in RCW 82.08.020(3) ((~~shall~~)) must be deposited in the multimodal transportation account under RCW 47.66.070.

(8)(a) Beginning in fiscal year 2020, a portion of the use tax revenue collected on the rate provided in RCW 82.08.020(1) with respect to the use of a motor vehicle in this state must be deposited to the motor vehicle fund for the sole purpose of funding transportation infrastructure. The disposition of the tax collected with respect to the use of motor vehicles is as follows:

(i) In fiscal year 2020, twenty percent of the collections must be deposited to the motor vehicle fund;

(ii) In fiscal year 2021, forty percent of the collections must be deposited to the motor vehicle fund;

(iii) In fiscal year 2022, sixty percent of the collections must be deposited to the motor vehicle fund;

(iv) In fiscal year 2023, eighty percent of the collections must be deposited to the motor vehicle fund; and

(v) In fiscal year 2024 and thereafter, all of the collections, except as otherwise provided by law, must be deposited to the motor vehicle fund.

(b) For the purposes of this subsection (8), "motor vehicle," except within the context of "motor vehicle fund," has the same meaning as provided in RCW 82.08.020(3).

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