S-2035.2

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**SENATE BILL 5978**

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

**By** Senators King and Wagoner

AN ACT Relating to vehicle taxation; amending RCW 82.08.020 and 82.12.020; adding a new section to chapter 82.08 RCW; providing an effective date; and declaring an emergency.

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

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

((~~(a)~~)) (i) 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)~~)) (ii) Off-road vehicles as defined in RCW 46.04.365;

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

((~~(d)~~)) (iv) Snowmobiles as defined in RCW 46.04.546.

(4)(a) Beginning July 1, 2019, except as provided in section 3 of this act, all the revenue collected under subsection (1) of this section on each new and used retail sale of a vehicle in this state, including private-party sales, but excluding retail car rentals taxed under subsection (2) of this section, must be deposited in the state general fund.

(b) For purposes of this subsection (4), "vehicle" has the meaning provided in RCW 46.04.670 including, but not limited to, passenger vehicles, light trucks, commercial vehicles, travel trailers, recreational vehicles, intermittent use trailers, motorcycles, and campers, but "vehicle" does not include:

(i) 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;

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

(iii) Nonhighway vehicles as defined in RCW 46.09.310;

(iv) Bicycles as defined in RCW 46.04.071; and

(v) 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.

**Sec.**  RCW 82.12.020 and 2017 c 323 s 520 are each amended to read as follows:

(1) There is levied and collected from every person in this state a tax or excise for the privilege of using within this state as a consumer any:

(a) Article of tangible personal property acquired by the user in any manner, including tangible personal property acquired at a casual or isolated sale, and including by-products used by the manufacturer thereof, except as otherwise provided in this chapter, irrespective of whether the article or similar articles are manufactured or are available for purchase within this state;

(b) Prewritten computer software, regardless of the method of delivery, but excluding prewritten computer software that is either provided free of charge or is provided for temporary use in viewing information, or both;

(c) Services defined as a retail sale in RCW 82.04.050 (2) (a) or (g) or (6)(c), excluding services defined as a retail sale in RCW 82.04.050(6)(c) that are provided free of charge;

(d) Extended warranty; or

(e)(i) Digital good, digital code, or digital automated service, including the use of any services provided by a seller exclusively in connection with digital goods, digital codes, or digital automated services, whether or not a separate charge is made for such services.

(ii) With respect to the use of digital goods, digital automated services, and digital codes acquired by purchase, the tax imposed in this subsection (1)(e) applies in respect to:

(A) Sales in which the seller has granted the purchaser the right of permanent use;

(B) Sales in which the seller has granted the purchaser a right of use that is less than permanent;

(C) Sales in which the purchaser is not obligated to make continued payment as a condition of the sale; and

(D) Sales in which the purchaser is obligated to make continued payment as a condition of the sale.

(iii) With respect to digital goods, digital automated services, and digital codes acquired other than by purchase, the tax imposed in this subsection (1)(e) applies regardless of whether or not the consumer has a right of permanent use or is obligated to make continued payment as a condition of use.

(2) The provisions of this chapter do not apply in respect to the use of any article of tangible personal property, extended warranty, digital good, digital code, digital automated service, or service taxable under RCW 82.04.050 (2) (a) or (g) or (6)(c), if the sale to, or the use by, the present user or the present user's bailor or donor has already been subjected to the tax under chapter 82.08 RCW or this chapter and the tax has been paid by the present user or by the present user's bailor or donor.

(3)(a) Except as provided in this section, payment of the tax imposed by this chapter or chapter 82.08 RCW by one purchaser or user of tangible personal property, extended warranty, digital good, digital code, digital automated service, or other service does not have the effect of exempting any other purchaser or user of the same property, extended warranty, digital good, digital code, digital automated service, or other service from the taxes imposed by such chapters.

(b) The tax imposed by this chapter does not apply:

(i) If the sale to, or the use by, the present user or his or her bailor or donor has already been subjected to the tax under chapter 82.08 RCW or this chapter and the tax has been paid by the present user or by his or her bailor or donor;

(ii) In respect to the use of any article of tangible personal property acquired by bailment and the tax has once been paid based on reasonable rental as determined by RCW 82.12.060 measured by the value of the article at time of first use multiplied by the tax rate imposed by chapter 82.08 RCW or this chapter as of the time of first use;

(iii) In respect to the use of any article of tangible personal property acquired by bailment, if the property was acquired by a previous bailee from the same bailor for use in the same general activity and the original bailment was prior to June 9, 1961; or

(iv) To the use of digital goods or digital automated services, which were obtained through the use of a digital code, if the sale of the digital code to, or the use of the digital code by, the present user or the present user's bailor or donor has already been subjected to the tax under chapter 82.08 RCW or this chapter and the tax has been paid by the present user or by the present user's bailor or donor.

(4)(a) Except as provided in (b) of this subsection (4), the tax is levied and must be collected in an amount equal to the value of the article used, value of the digital good or digital code used, value of the extended warranty used, or value of the service used by the taxpayer, multiplied by the applicable rates in effect for the retail sales tax under RCW 82.08.020.

(b) In the case of a seller required to collect use tax from the purchaser, the tax must be collected in an amount equal to the purchase price multiplied by the applicable rate in effect for the retail sales tax under RCW 82.08.020.

(5) For purposes of the tax imposed in this section, "person" includes anyone within the definition of "buyer," "purchaser," and "consumer" in RCW 82.08.010.

(6)(a) Beginning July 1, 2019, except as provided in section 3 of this act, all use tax revenue collected under subsection (1) of this section on the use of each new and used vehicle in this state, but excluding retail car rentals taxed under RCW 82.08.020, must be deposited in the state general fund.

(b) For purposes of this subsection (6), "vehicle" has the meaning provided in RCW 46.04.670 including, but not limited to, passenger vehicles, light trucks, commercial vehicles, travel trailers, recreational vehicles, intermittent use trailers, motorcycles, and campers, but "vehicle" does not include:

(i) 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;

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

(iii) Nonhighway vehicles as defined in RCW 46.09.310;

(iv) Bicycles as defined in RCW 46.04.071; and

(v) Snowmobiles as defined in RCW 46.04.546.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

From the tax imposed under RCW 82.08.020(4) and 82.12.020(6), the state treasurer shall make the following deposits:

(1) For the 2019-2021 biennium, three hundred million dollars in eight quarterly deposits to the motor vehicle fund created in RCW 46.68.070 to be used exclusively for the purposes specified in subsection (6) of this section.

(2) For the 2021-2023 biennium, four hundred million dollars in eight quarterly deposits to the motor vehicle fund created in RCW 46.68.070 to be used exclusively for the purposes specified in subsection (6) of this section.

(3) For the 2023-2025 biennium, five hundred million dollars in eight quarterly deposits to the motor vehicle fund created in RCW 46.68.070 to be used exclusively for the purposes specified in subsection (6) of this section.

(4) For the 2025-2027 biennium, five hundred million dollars in eight quarterly deposits to the motor vehicle fund created in RCW 46.68.070 to be used exclusively for the purposes specified in subsection (6) of this section.

(5) For the 2027-2029 biennium, five hundred million dollars in eight quarterly deposits to the motor vehicle fund created in RCW 46.68.070 to be used exclusively for the purposes specified in subsection (6) of this section.

(6) The amounts transferred under subsections (1) through (5) of this section are to be used solely for the following projects and activities:

(a) Highway maintenance and preservation;

(b) SR 18 Widening – Issaquah/Hobart Rd to Raging River;

(c) Columbia River Bridge Replacement/Hood River to White Salmon;

(d) US 2 Trestle Full Rebuild;

(e) Ferry vessels;

(f) US 12 Wallula to Nine Mile Hill Widening; and

(g) Watershed fish passage barrier removal.

(7) By December 1, 2028, the joint transportation committee shall conduct an evaluation of the impact of the transferred funds on the actual completion of the projects and activities specified in this section. The comparison shall include information on the net jobs created, other economic benefits achieved, the impacts on traffic congestion, and public safety. The evaluation shall compare these impacts relative to these outcomes without the additional transfers made pursuant to this section. If this evaluation finds that there is a significant net improvement in these outcomes directly from these transferred funds, then the legislature intends to extend these transfer provisions beyond the 2027-2029 biennium.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2019.

**--- END ---**