

HOUSE BILL REPORT

HB 2269

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Finance

Title: An act relating to tax relief for adaptive automotive equipment for veterans and service members with disabilities.

Brief Description: Concerning tax relief for adaptive automotive equipment for veterans and service members with disabilities.

Sponsors: Representatives Kilduff, Muri, Kraft, Stanford, Eslick, McBride, Sawyer, Orcutt, Haler, Senn, Reeves, Young, Ryu and Doglio.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/9/18, 1/16/18 [DPS];
Finance: 2/2/18, 2/5/18 [DP2S(w/o sub CDHT)].

Brief Summary of Second Substitute Bill

- Extends the state sales and use tax exemption for add-on automotive adaptive equipment for 10 years.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Ryu, Chair; Macri, Vice Chair; Barkis, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Jenkin, Reeves and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

Veteran Automobile Adaptive Equipment Program.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The United States Department of Veterans Affairs' (VA) Automobile Adaptive Equipment program provides equipment and training for physically challenged veterans to enter, exit, and safely operate motor vehicles. The VA reimburses qualifying veterans who purchase special equipment installed in the veteran's own motor vehicle, such as: wheelchair lifts; under vehicle lifts; power door openers; lowered floors and raised roofs; raised doors; hand controls; left foot gas pedals; reduced effort and zero effort steering and braking; digital driving systems; and standard power equipment.

State Sales and Use Tax Exemption for Add-On Automobile Adaptive Equipment.

The state levies a tax on the retail sale of tangible personal property, digital goods, and certain services within the state. A taxable retail sale also includes the installation, repair, alteration, or improvement made to a consumer's personal property. The state sales and use tax rate is 6.5 percent. Counties and cities are authorized to impose an additional sales and use tax at a lesser rate than the state rate.

In 2013 the Legislature created a sales and use tax exemption for the sale of add-on automotive adaptive equipment purchased by the VA, or other federal agency, for an eligible disabled veteran or disabled active service member. The exemption applies to equipment prescribed by a doctor that assists in the entry, exit, or safe operation of a motor vehicle, including the service for installing and repairing the equipment, but not including equipment installed by the manufacturer of the motor vehicle. The seller must obtain an exemption certificate from the eligible purchaser in order to deduct the exempt sale from the gross sales reported on the seller's tax return.

Expiration and Review of the Tax Exemption.

The add-on automotive adaptive equipment exemption is scheduled to expire July 1, 2018. In 2017 the Joint Legislative Audit and Review Committee (JLARC) completed a Tax Performance Review report on this exemption. The JLARC found that in 2016, the VA processed 185 applications from Washington residents for the Automobile Adaptive Equipment program. The JLARC estimated that the total amount of taxes exempted for the last three reported fiscal years (FY) included: \$186,000 (FY 2014); \$176,000 (FY 2015); and \$194,000 (FY 2016).

Summary of Substitute Bill:

The expiration of the add-on automotive adaptive equipment exemption is extended until July 1, 2028. The JLARC is directed to perform a Tax Preference Performance Review before the expiration of the exemption.

Substitute Bill Compared to Original Bill:

The exemption for use tax is extended 10 years to go along with the sales tax exemption.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The sales tax exemption will increase veteran access to adaptive equipment and helps reduce the barriers preventing veterans from accessing their deserved benefits. This tax exemption is very important to make adaptive equipment affordable for disabled veterans who qualify for the federal program. While the federal program purchases the equipment for veterans, the program does not pay the costs of the state tax on such purchases. The tax would be passed along to the veteran if the exemption is not applied. Veterans who qualify for the program sometimes cannot pay for the taxes and therefore cannot participate in the program.

The tax exemption helps to alleviate a competitive disadvantage for Washington businesses. Companies that offer adaptive equipment in the state cannot compete with businesses in neighboring states that do not collect taxes. Eliminating the sales tax in Washington will help to level the playing field.

(Opposed) None.

Persons Testifying: Representative Kilduff, prime sponsor; Heinz Haskins, Veterans Legislative Coalition; and Heidi Audette Department of Veterans Affairs.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community Development, Housing & Tribal Affairs. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Staff: Serena Dolly (786-7150).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

The second substitute bill:

- applies the tax preference performance statement to the use tax exemption; and
- requires the Joint Legislative Audit and Review Committee to review the dollar amount of equipment purchases instead of evaluating the number of purchases.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Veterans Legislative Coalition strongly supports this bill.

(Opposed) None.

Persons Testifying: Representative Kilduff, prime sponsor; and Jerry Fugich and Richard Marcellinas, Veterans Legislative Coalition.

Persons Signed In To Testify But Not Testifying: None.