

HOUSE BILL REPORT

SSB 5611

*As Reported By House Committee on:
Transportation*

Title: An act relating to a tax on the rental of fleet vehicles.

Brief Description: Studying the excise tax imposed upon car rental vehicles.

Sponsor(s): Senate Committee on Transportation (originally sponsored by Senators Matson, Patterson, Snyder and Conner).

Brief History:

Reported by House Committee on:
Transportation, March 27, 1991, DPA.

**HOUSE COMMITTEE ON
TRANSPORTATION**

Majority Report: *Do pass as amended.* Signed by 23 members: Representatives R. Fisher, Chair; Betrozoff, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Basich; Brough; Cantwell; Cooper; G. Fisher; Forner; Horn; P. Johnson; R. Johnson; Jones; Kremen; Mitchell; Nelson; Orr; Prentice; Prince; Schmidt; Wilson; Wood; and Zellinsky.

Staff: Robin Rettew (786-7306).

Background: Currently, rental agencies pay a prorated share of motor vehicle excise tax (MVET) on each new vehicle based upon the purchase date of the vehicle. For example, 11 months of excise tax is collected on new rental cars purchased in February; or six months of excise tax is collected on new rentals purchased in June. Subsequent renewals, if any, are for 12 months.

Rental car agents state they are keeping vehicles, on average, four to six months before selling them and are not getting full use of the vehicles commensurate with the period they have paid MVET. For example, if a vehicle was purchased in February, the company would pay 11 months' excise tax, but the car would likely be used only four or five months before it was sold. The rental companies are not eligible for a tax refund for the unused portion of the year.

Rental car agents argue they cannot pass the cost of the tax on to the consumer because of fierce market competition. They state there is not a direct relationship between the expenses they incur and the charge they impose for using the rental vehicle. Many national companies, for example, set a weekly rental rate which is honored nationwide, regardless of tax variances between states. The rental agents further argue they do not recoup the value of the unused portion of excise tax when they sell used vehicles.

Summary of Amended Bill: The Legislative Transportation Committee, the departments of Licensing, Revenue, and Transportation, and representatives from the car rental industry, as well as other interested parties, are required to conduct a study to evaluate whether or not there is a problem with the current system of taxation and to make alternative recommendations if there is a problem. A final study is due by January 1, 1993, with an interim report due January 1, 1992.

Amended Bill Compared to Substitute Bill: The study is required to include an analysis of sales and business and occupation taxes as well as motor vehicle excise taxes.

Fiscal Note: Available.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Witnesses: None.