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**SUBSTITUTE HOUSE BILL 2964**

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**State of Washington**

**52nd Legislature**

**1992 Regular Session**

**By** House Committee on Revenue (originally sponsored by Representatives Wang, Winsley, Locke, Peery, R. Fisher and Brekke)

Read first time 02/07/92.

1 AN ACT Relating to excise taxation of vehicles used for short-term  
2 rental; amending RCW 82.08.020, 81.100.060, and 81.104.160; reenacting  
3 and amending RCW 35.58.273; adding new sections to chapter 46.04 RCW;  
4 adding a new section to chapter 46.16 RCW; adding a new section to  
5 chapter 46.87 RCW; adding a new section to chapter 82.44 RCW; adding  
6 new sections to chapter 82.08 RCW; creating new sections; prescribing  
7 penalties; providing effective dates; and declaring an emergency.

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

9 NEW SECTION. **Sec. 1.** The legislature intends to exempt rental  
10 cars from state and local motor vehicle excise taxes, and to impose  
11 additional sales and use taxes in lieu thereof. These additional sales  
12 and use taxes are intended to provide as much revenue as would have  
13 been received if the motor vehicle excise tax exemptions had not been  
14 enacted. Revenues from these additional sales and use taxes are

1 intended to be distributed in the same manner as the motor vehicle  
2 excise tax revenues they replace.

3 NEW SECTION. **Sec. 2.** The legislature finds that traffic  
4 safety education programs offer students the necessary skills and  
5 knowledge to become safe, responsible operators of motor vehicles, and  
6 reduce the incidence of motor vehicle accidents among teenage drivers.  
7 Therefore, RCW 82.08.020(3) is intended to provide a dedicated revenue  
8 source for traffic safety education programs.

9 The legislature also intends that students from families with  
10 limited financial resources be given higher priority in allocating the  
11 funding provided by RCW 82.08.020(3).

12 The legislature further intends that the adequacy and  
13 appropriateness of the amount and source of funding under RCW  
14 82.08.020(3) be periodically reviewed.

15 NEW SECTION. **Sec. 3.** A new section is added to chapter 46.04 RCW  
16 to read as follows:

17 (1) "Rental car" means a passenger car, as defined in RCW  
18 46.04.382, that is used solely by a rental car business for rental to  
19 others, without a driver provided by the rental car business, for  
20 periods of not more than thirty consecutive days.

21 (2) "Rental car" does not include:

22 (a) Vehicles rented or loaned to customers by automotive repair  
23 businesses while the customer's vehicle is under repair;

24 (b) Vehicles licensed and operated as taxicabs.

25 NEW SECTION. **Sec. 4.** A new section is added to chapter 46.04 RCW  
26 to read as follows:

1 "Rental car business" means a person engaging within this state in  
2 the business of renting rental cars, as determined under rules of the  
3 department of licensing.

4 NEW SECTION. **Sec. 5.** A new section is added to chapter 46.16 RCW  
5 to read as follows:

6 Rental cars shall be registered and licensed as provided in chapter  
7 46.87 RCW.

8 NEW SECTION. **Sec. 6.** A new section is added to chapter 46.87 RCW  
9 to read as follows:

10 (1) Rental car businesses must register with the department of  
11 licensing. This registration must be renewed annually by the rental  
12 car business.

13 (2) Rental car businesses must obtain a certificate of ownership  
14 and indicate that the vehicle is a rental car. Registration must be  
15 obtained for all rental cars and shall be valid for the period in which  
16 the rental car is part of an authorized business up to a maximum of  
17 twelve months.

18 (3) In addition to all other fees prescribed for the registration  
19 of vehicles under chapter 46.16 RCW, the department shall collect a fee  
20 of five dollars per registration for the administration of the program  
21 and a vehicle transaction fee as authorized in RCW 46.87.130 to be  
22 deposited to the motor vehicle fund.

23 (4) Use of rental cars is restricted to the rental customer unless  
24 otherwise provided by rule.

25 (5) The department will issue rental car license plates to  
26 businesses authorized under this section. A rental car business shall  
27 pay a fee of ten dollars for each set of rental car license plates as  
28 defined in RCW 46.87.090. Rental cars no longer eligible for use of

1 the rental plates will be considered unlicensed vehicles and must be  
2 registered and pay the required motor vehicle excise taxes and  
3 registration fees prior to operation on public roads of this state.

4 (6) The department may authorize rental car businesses to issue  
5 temporary authorization permits as defined in RCW 46.87.080.

6 (7) The department may suspend or cancel the exemptions, benefits,  
7 or privileges granted under this section to any person or business firm  
8 who violates the laws of this state relating to the operation or  
9 registration of vehicles or rules lawfully adopted thereunder. The  
10 department may initiate and conduct audits, investigations, and  
11 enforcement actions as may be reasonably necessary for administering  
12 this section.

13 (8) Except as provided in this section or by rule adopted pursuant  
14 to this section, the transfer or use of the rental plates is a traffic  
15 infraction subject to a fine not to exceed five hundred dollars. Any  
16 law enforcement agency that determines that a special license plate has  
17 not been used in conformance with this section will confiscate the  
18 license plates and return them to the department for nullification  
19 along with full details of the reasons for confiscation.

20 (9) The department shall adopt such rules as may be necessary to  
21 administer and enforce the provisions of this section.

22 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.44 RCW  
23 to read as follows:

24 Rental cars as defined in section 3 of this act are exempt from the  
25 taxes imposed in RCW 82.44.020 (1) and (2).

26 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.08 RCW  
27 to read as follows:

1 For purposes of this chapter, "retail car rental" means renting a  
2 rental car, as defined in section 3 of this act, to a consumer.

3 **Sec. 9.** RCW 82.08.020 and 1985 c 32 s 1 are each amended to read  
4 as follows:

5 (1) There is levied and there shall be collected a tax on each  
6 retail sale in this state equal to six and five-tenths percent of the  
7 selling price.

8 (2) Effective January 1, 1993, there is levied and there shall be  
9 collected an additional tax on each retail car rental, regardless of  
10 whether the vehicle is licensed in this state, equal to five and nine-  
11 tenths percent of the selling price. Ninety-one percent of the revenue  
12 collected under this subsection shall be deposited and distributed in  
13 the same manner as revenue collected under RCW 82.44.020(1). Nine  
14 percent of the revenue collected under this subsection shall be  
15 deposited and distributed in the same manner as revenue collected under  
16 RCW 82.44.020(2).

17 (3) Effective May 1, 1992, there is levied and there shall be  
18 collected an additional tax on each retail car rental, regardless of  
19 whether the vehicle is licensed in this state, equal to three and nine-  
20 tenths percent of the selling price. Revenue collected under this  
21 subsection shall be deposited in the general fund and used solely for  
22 funding traffic safety education programs.

23 (4) The ~~((tax))~~ taxes imposed under this chapter shall apply to  
24 successive retail sales of the same property.

25 ~~((+3))~~ (5) The rates provided in this section ~~((applies))~~ apply to  
26 taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

27 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.08 RCW  
28 to read as follows:

1 Before January 1, 1994, and January 1 of each odd-numbered year  
2 thereafter:

3 (1) The department of licensing, with the assistance of the  
4 department of revenue, shall provide the office of financial management  
5 and the fiscal committees of the legislature with an updated estimate  
6 of the amount of revenue attributable to the taxes imposed in RCW  
7 82.08.020 (2) and (3), and the amount of revenue not collected as a  
8 result of section 7 of this act.

9 (2) The superintendent of public instruction shall provide the  
10 legislature with a report on the adequacy and appropriateness of the  
11 level of funding provided under RCW 82.08.020(3).

12 **Sec. 11.** RCW 35.58.273 and 1991 c 339 s 29 and 1991 c 309 s 1 are  
13 each reenacted and amended to read as follows:

14 (1) Through June 30, 1992, any municipality, as defined in this  
15 subsection, is authorized to levy and collect a special excise tax not  
16 exceeding .7824 percent and beginning July 1, 1992, .725 percent on the  
17 value, as determined under chapter 82.44 RCW, of every motor vehicle  
18 owned by a resident of such municipality for the privilege of using  
19 such motor vehicle provided that in no event shall the tax be less than  
20 one dollar and, subject to RCW 82.44.150 (3) and (4), the amount of  
21 such tax shall be credited against the amount of the excise tax levied  
22 by the state under RCW 82.44.020(1). As used in this subsection, the  
23 term "municipality" means a municipality that is located within (a)  
24 each county with a population of two hundred ten thousand or more and  
25 (b) each county with a population of from one hundred twenty-five  
26 thousand to less than two hundred ten thousand except for those  
27 counties that do not border a county with a population as described  
28 under subsection (a) of this subsection.

1           (2) Through June 30, 1992, any other municipality is authorized to  
2 levy and collect a special excise tax not exceeding .815 percent, and  
3 beginning July 1, 1992, .725 percent on the value, as determined under  
4 chapter 82.44 RCW, of every motor vehicle owned by a resident of such  
5 municipality for the privilege of using such motor vehicle provided  
6 that in no event shall the tax be less than one dollar and, subject to  
7 RCW 82.44.150 (3) and (4), the amount of such tax shall be credited  
8 against the amount of the excise tax levied by the state under RCW  
9 82.44.020(1). Before utilization of any excise tax moneys collected  
10 under authorization of this section for acquisition of right of way or  
11 construction of a mass transit facility on a separate right of way the  
12 municipality shall adopt rules affording the public an opportunity for  
13 "corridor public hearings" and "design public hearings" as herein  
14 defined, which rule shall provide in detail the procedures necessary  
15 for public participation in the following instances: (a) prior to  
16 adoption of location and design plans having a substantial social,  
17 economic or environmental effect upon the locality upon which they are  
18 to be constructed or (b) on such mass rapid transit systems operating  
19 on a separate right of way whenever a substantial change is proposed  
20 relating to location or design in the adopted plan. In adopting rules  
21 the municipality shall adhere to the provisions of the Administrative  
22 Procedure Act.

23           (3) A "corridor public hearing" is a public hearing that: (a) is  
24 held before the municipality is committed to a specific mass transit  
25 route proposal, and before a route location is established; (b) is held  
26 to afford an opportunity for participation by those interested in the  
27 determination of the need for, and the location of, the mass rapid  
28 transit system; (c) provides a public forum that affords a full  
29 opportunity for presenting views on the mass rapid transit system route  
30 location, and the social, economic and environmental effects on that

1 location and alternate locations: PROVIDED, That such hearing shall  
2 not be deemed to be necessary before adoption of an overall mass rapid  
3 transit system plan by a vote of the electorate of the municipality.

4 (4) A "design public hearing" is a public hearing that: (a) is  
5 held after the location is established but before the design is  
6 adopted; and (b) is held to afford an opportunity for participation by  
7 those interested in the determination of major design features of the  
8 mass rapid transit system; and (c) provides a public forum to afford a  
9 full opportunity for presenting views on the mass rapid transit system  
10 design, and the social, economic, environmental effects of that design  
11 and alternate designs.

12 (5) A municipality imposing a tax under subsection (1) or (2) of  
13 this section may also impose a sales and use tax, in addition to the  
14 tax authorized by RCW 82.14.030, upon retail car rentals within the  
15 municipality that are taxable by the state under chapters 82.08 and  
16 82.12 RCW. The rate of tax shall bear the same ratio to the rate  
17 imposed under RCW 82.08.020(2) as the excise tax rate imposed under  
18 subsection (1) of this section bears to the excise tax rate imposed  
19 under RCW 82.44.020 (1) and (2). The base of the tax shall be the  
20 selling price in the case of a sales tax or the rental value of the  
21 vehicle used in the case of a use tax. The tax imposed under this  
22 section shall be deducted from the amount of tax otherwise due under  
23 RCW 82.08.020(2). The revenue collected under this subsection shall be  
24 distributed in the same manner as special excise taxes under  
25 subsections (1) and (2) of this section.

26 **Sec. 12.** RCW 81.100.060 and 1991 c 363 s 154 are each amended to  
27 read as follows:

28 A county with a population of one million or more and a county with  
29 a population of from two hundred ten thousand to less than one million

1 that is adjoining a county with a population of one million or more,  
2 having within their boundaries existing or planned high occupancy  
3 vehicle lanes on the state highway system may, with voter approval,  
4 impose a local surcharge of not more than fifteen percent on the state  
5 motor vehicle excise tax paid under RCW 82.44.020(1) on vehicles  
6 registered to a person residing within the county and on the state  
7 sales and use taxes paid under the rate in RCW 82.08.020(2) on retail  
8 car rentals within the county. No surcharge may be imposed on vehicles  
9 licensed under RCW 46.16.070 except vehicles with an unladen weight of  
10 six thousand pounds or less, RCW 46.16.079, 46.16.080, 46.16.085, or  
11 46.16.090.

12 Counties imposing a tax under this section shall contract, before  
13 the effective date of the resolution or ordinance imposing a surcharge,  
14 administration and collection to the state department of licensing, and  
15 department of revenue, as appropriate, which shall deduct an amount, as  
16 provided by contract, for administration and collection expenses  
17 incurred by the department. All administrative provisions in chapters  
18 82.03, 82.32, and 82.44 RCW shall, insofar as they are applicable to  
19 state motor vehicle excise taxes, be applicable to surcharges imposed  
20 under this section. All administrative provisions in chapters 82.03,  
21 82.08, 82.12, and 82.32 RCW shall, insofar as they are applicable to  
22 state sales and use taxes, be applicable to surcharges imposed under  
23 this section.

24 If the tax authorized in RCW 81.100.030 is also imposed by the  
25 county, the total proceeds from (~~both~~) tax sources imposed under this  
26 section and RCW 81.100.030 each year shall not exceed the maximum  
27 amount which could be collected under this section.

28 **Sec. 13.** RCW 81.104.160 and 1991 c 318 s 12 are each amended to  
29 read as follows:

1       (1) Any city that operates a transit system, county transportation  
2 authority, metropolitan municipal corporation, or public transportation  
3 benefit area, solely for the purpose of providing high capacity  
4 transportation service may submit an authorizing proposition to the  
5 voters, and if approved, may levy and collect an excise tax, at a rate  
6 approved by the voters, but not exceeding eighty one-hundredths of one  
7 percent on the value, under chapter 82.44 RCW, of every motor vehicle  
8 owned by a resident of such city, county transportation authority,  
9 metropolitan municipal corporation, or public transportation benefit  
10 area. In any county imposing a motor vehicle excise tax surcharge  
11 pursuant to RCW 81.100.060, the maximum tax rate under this section  
12 shall be reduced to a rate equal to eighty one-hundredths of one  
13 percent on the value less the equivalent motor vehicle excise tax rate  
14 of the surcharge imposed pursuant to RCW 81.100.060. This rate shall  
15 not apply to vehicles licensed under RCW 46.16.070 except vehicles with  
16 an unladen weight of six thousand pounds or less, RCW 46.16.079,  
17 46.16.080, 46.16.085, or 46.16.090.

18       (2) An agency imposing a tax under subsection (1) of this section  
19 may also impose a sales and use tax solely for the purpose of providing  
20 high capacity transportation service, in addition to the tax authorized  
21 by RCW 82.14.030, upon retail car rentals within the agency's  
22 jurisdiction that are taxable by the state under chapters 82.08 and  
23 82.12 RCW. The rate of tax shall bear the same ratio to the rate  
24 imposed under RCW 82.08.020(2) as the excise tax rate imposed under  
25 subsection (1) of this section bears to the excise tax rate imposed  
26 under RCW 82.44.020 (1) and (2). The base of the tax shall be the  
27 selling price in the case of a sales tax or the rental value of the  
28 vehicle used in the case of a use tax. The revenue collected under  
29 this subsection shall be used in the same manner as excise taxes under  
30 subsection (1) of this section.

1        NEW SECTION.    **Sec. 14.**        (1) Sections 1 through 4 and 8 through  
2 10 of this act are necessary for the immediate preservation of the  
3 public peace, health, or safety, or support of the state government and  
4 its existing public institutions, and shall take effect May 1, 1992.

5        (2) Sections 5 through 7 and 11 through 13 of this act shall take  
6 effect January 1, 1993.