

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 2964

Chapter 194, Laws of 1992

52nd Legislature
1992 Regular Session

RENTAL CAR TAXATION

EFFECTIVE DATE: 1/1/93 - Except Sections 1 through 3 which take effect on 6/1/92.

Passed by the House March 6, 1992
Yeas 57 Nays 38

JOE KING
**Speaker of the
House of Representatives**

Passed by the Senate March 11, 1992
Yeas 35 Nays 14

JOEL PRITCHARD
President of the Senate

Approved April 2, 1992

BOOTH GARDNER
Governor of the State of Washington

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is ENGROSSED SUBSTITUTE HOUSE BILL 2964 as passed by the House of Representatives and the Senate on the dates hereon set forth.

ALAN THOMPSON
Chief Clerk

FILED

April 2, 1992 - 11:27 a.m.

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 2964

Passed Legislature - 1992 Regular Session

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 new sections to chapter 82.08 RCW; adding a new section to
5 chapter 82.14 RCW; adding a new section to chapter 46.16 RCW; adding a
6 new section to chapter 46.87 RCW; adding a new section to chapter 82.44
7 RCW; creating a new section; prescribing penalties; providing effective
8 dates; and declaring an emergency.

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

10 NEW SECTION. **Sec. 1.** A new section is added to chapter 46.04 RCW
11 to read as follows:

12 (1) "Rental car" means a passenger car, as defined in RCW
13 46.04.382, that is used solely by a rental car business for rental to

1 others, without a driver provided by the rental car business, for
2 periods of not more than thirty consecutive days.

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

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

6 (b) Vehicles licensed and operated as taxicabs.

7 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
8 to read as follows:

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

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW
12 to read as follows:

13 The legislative authority of any county may impose a sales and use
14 tax, in addition to the tax authorized by RCW 82.14.030, upon retail
15 car rentals within the county that are taxable by the state under
16 chapters 82.08 and 82.12 RCW. The rate of tax shall be one percent of
17 the selling price in the case of a sales tax or rental value of the
18 vehicle in the case of a use tax. Proceeds of the tax shall not be
19 used to subsidize any professional sports team and shall be used solely
20 for the following purposes:

21 (1) Acquiring, constructing, maintaining, or operating public
22 sports stadium facilities;

23 (2) Engineering, planning, financial, legal, or professional
24 services incidental to public sports stadium facilities; or

25 (3) Youth or amateur sport activities or facilities.

26 NEW SECTION. **Sec. 4.** The legislature intends to exempt rental
27 cars from state and local motor vehicle excise taxes, and to impose

1 additional sales and use taxes in lieu thereof. These additional sales
2 and use taxes are intended to provide as much revenue to the funds
3 currently receiving motor vehicle excise tax revenue, including the
4 transportation funds and the general fund, as each fund would have
5 received if the motor vehicle excise tax exemptions had not been
6 enacted. Revenues from these additional sales and use taxes are
7 intended to be distributed in the same manner as the motor vehicle
8 excise tax revenues they replace.

9 NEW SECTION. **Sec. 5.** A new section is added to chapter 46.04 RCW
10 to read as follows:

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

14 NEW SECTION. **Sec. 6.** A new section is added to chapter 46.16 RCW
15 to read as follows:

16 Rental cars shall be registered and licensed as provided in chapter
17 46.87 RCW.

18 NEW SECTION. **Sec. 7.** A new section is added to chapter 46.87 RCW
19 to read as follows:

20 (1) Rental car businesses must register with the department of
21 licensing. This registration must be renewed annually by the rental
22 car business.

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

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

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

8 (5) The department will issue rental car license plates to
9 businesses authorized under this section. A rental car business shall
10 pay a fee of ten dollars for each set of rental car license plates as
11 defined in RCW 46.87.090. Rental cars no longer eligible for use of
12 the rental plates will be considered unlicensed vehicles and must be
13 registered and pay the required motor vehicle excise taxes and
14 registration fees prior to operation on public roads of this state.

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

17 (7) The department may suspend or cancel the exemptions, benefits,
18 or privileges granted under this section to any person or business firm
19 who violates the laws of this state relating to the operation or
20 registration of vehicles or rules lawfully adopted thereunder. The
21 department may initiate and conduct audits, investigations, and
22 enforcement actions as may be reasonably necessary for administering
23 this section.

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

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

3 NEW SECTION. Sec. 8. A new section is added to chapter 82.44 RCW
4 to read as follows:

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

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

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

12 (2) There is levied and there shall be collected an additional tax
13 on each retail car rental, regardless of whether the vehicle is
14 licensed in this state, equal to five and nine-tenths percent of the
15 selling price. Ninety-one percent of the revenue collected under this
16 subsection shall be deposited and distributed in the same manner as
17 motor vehicle excise tax revenue collected under RCW 82.44.020(1).
18 Nine percent of the revenue collected under this subsection shall be
19 deposited in the transportation fund and distributed in the same manner
20 as motor vehicle excise tax revenue collected under RCW 82.44.020(2).

21 (3) The ~~((tax))~~ taxes imposed under this chapter shall apply to
22 successive retail sales of the same property.

23 ~~((+3+))~~ (4) The rates provided in this section ~~((applies))~~ apply to
24 taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

25 NEW SECTION. Sec. 10. A new section is added to chapter 82.08 RCW
26 to read as follows:

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

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

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

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

26 (2) Through June 30, 1992, any other municipality is authorized to
27 levy and collect a special excise tax not exceeding .815 percent, and
28 beginning July 1, 1992, .725 percent on the value, as determined under
29 chapter 82.44 RCW, of every motor vehicle owned by a resident of such

1 municipality for the privilege of using such motor vehicle provided
2 that in no event shall the tax be less than one dollar and, subject to
3 RCW 82.44.150 (3) and (4), the amount of such tax shall be credited
4 against the amount of the excise tax levied by the state under RCW
5 82.44.020(1). Before utilization of any excise tax moneys collected
6 under authorization of this section for acquisition of right of way or
7 construction of a mass transit facility on a separate right of way the
8 municipality shall adopt rules affording the public an opportunity for
9 "corridor public hearings" and "design public hearings" as herein
10 defined, which rule shall provide in detail the procedures necessary
11 for public participation in the following instances: (a) prior to
12 adoption of location and design plans having a substantial social,
13 economic or environmental effect upon the locality upon which they are
14 to be constructed or (b) on such mass rapid transit systems operating
15 on a separate right of way whenever a substantial change is proposed
16 relating to location or design in the adopted plan. In adopting rules
17 the municipality shall adhere to the provisions of the Administrative
18 Procedure Act.

19 (3) A "corridor public hearing" is a public hearing that: (a) is
20 held before the municipality is committed to a specific mass transit
21 route proposal, and before a route location is established; (b) is held
22 to afford an opportunity for participation by those interested in the
23 determination of the need for, and the location of, the mass rapid
24 transit system; (c) provides a public forum that affords a full
25 opportunity for presenting views on the mass rapid transit system route
26 location, and the social, economic and environmental effects on that
27 location and alternate locations: PROVIDED, That such hearing shall
28 not be deemed to be necessary before adoption of an overall mass rapid
29 transit system plan by a vote of the electorate of the municipality.

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

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

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

25 A county with a population of one million or more and a county with
26 a population of from two hundred ten thousand to less than one million
27 that is adjoining a county with a population of one million or more,
28 having within their boundaries existing or planned high occupancy
29 vehicle lanes on the state highway system may, with voter approval,

1 impose a local surcharge of not more than fifteen percent on the state
2 motor vehicle excise tax paid under RCW 82.44.020(1) on vehicles
3 registered to a person residing within the county and on the state
4 sales and use taxes paid under the rate in RCW 82.08.020(2) on retail
5 car rentals within the county. No surcharge may be imposed on vehicles
6 licensed under RCW 46.16.070 except vehicles with an unladen weight of
7 six thousand pounds or less, RCW 46.16.079, 46.16.080, 46.16.085, or
8 46.16.090.

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

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

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

27 (1) Any city that operates a transit system, county transportation
28 authority, metropolitan municipal corporation, or public transportation
29 benefit area, solely for the purpose of providing high capacity

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

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

28 NEW SECTION. Sec. 14. (1) Sections 1 through 3 of this act are
29 necessary for the immediate preservation of the public peace, health,

1 or safety, or support of the state government and its existing public
2 institutions, and shall take effect June 1, 1992.

3 (2) Sections 4 through 13 of this act shall take effect January 1,
4 1993.

Passed the House March 6, 1992.

Passed the Senate March 11, 1992.

Approved by the Governor April 2, 1992.

Filed in Office of Secretary of State April 2, 1992.