

# HOUSE BILL REPORT

## HB 2453

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to business and occupation tax for wholesale sales of new motor vehicles.

**Brief Description:** Modifying the taxation of wholesale sales of new motor vehicles.

**Sponsors:** Representatives Fromhold, Roach and Condotta.

**Brief History:**

**Committee Activity:**

Finance: 1/22/04 [DP].

**Brief Summary of Bill**

- Exempts new car dealers from business and occupation tax on wholesales of new motor vehicles to other new car dealers.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**Staff:** Rick Peterson (786-7150).

**Background:**

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Although there are several different rates, the rate on wholesaling is 0.484 percent and the rate on retailing is 0.471 percent.

Motor vehicle dealers are exempt from B&O tax on wholesales of used vehicles at auto auctions. New car dealers are exempt on wholesales of new motor vehicles to other new car dealers if the transaction enables dealers to adjust their inventory. The price may not exceed the acquisition cost to the selling dealer plus any car preparation expenses.

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**Summary of Bill:**

New car dealers are exempt from B&O tax on wholesales of new motor vehicle to other new car dealers selling vehicles of the same make. The requirements that the purpose of the sale is for inventory adjustment and the price is limited to cost are eliminated.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The bill will allow consumers to have their cars delivered by their local dealer. This issue came up because the Department of Revenue has been authorized more auditors. It has been the Legislature's intent to allow an exemption for vehicle exchanges between dealers. A recent interpretation by the Department of Revenue has made the "hold back" received by dealers from manufacturers on these vehicle exchanges subject to tax. The language of the statutes is lagging behind the way new car dealers do business.

**Testimony Against:** None.

**Persons Testifying:** Jim Boldt, Washington Auto Dealers; and Julie Sexton, Department of Revenue.

**Persons Signed In To Testify But Not Testifying:** None.