

SENATE BILL REPORT

HB 2453

As Reported By Senate Committee On:
Ways & Means, February 26, 2004

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: Ways & Means: 2/25/04, 2/26/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Staff: Terry Wilson (786-7433)

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 wholesale sales of used vehicles at auto auctions. New car dealers are exempt on wholesale sales 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.

Summary of Bill: New car dealers are exempt from B&O tax on wholesales of new motor vehicles 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.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: For 30 years, accommodation sales between dealers have not been taxed. The total price must be available on the date of sale, but manufacturers incentives do not arrive then. This brings the law in line with the 30-year interpretation.

Testimony Against: None.

Testified: Jim Boldt, Wash Auto Dealers (pro).