
Finance Committee

HB 1990

Brief Description: Concerning use tax on vehicles transferred between immediate family members for no consideration other than to relieve the transferor of the underlying debt on the vehicle.

Sponsors: Representatives Fey, Sells and Appleton.

Brief Summary of Bill

- Reduces the use tax on vehicles transferred between immediate family members under certain circumstances.

Hearing Date: 2/10/15

Staff: Jeffrey Mitchell (786-7139).

Background:

The use tax complements the retail sales tax by imposing a tax of like amount upon the use within this state as a consumer of any tangible personal property purchased at retail, where the user has not paid retail sales tax with respect to the purchase of the property used. If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the retail sales or use tax directly to the Department of Revenue unless the purchase or use is exempt from the retail sales and use tax.

Use tax on vehicles is generally paid to the Department of Licensing at the time a vehicle is registered. Use tax is based on the fair market value of the vehicle. The State compares the vehicle's purchase price to the fair market value of the vehicle by using a regional industry standard source called the automated valuing system. When the purchase price reflects the fair market value of a vehicle, use tax is based on what you paid. The State will accept a bill of sale as evidence of a vehicle's value as long as the purchase price is no more than \$2,000 below fair market value. If the purchase price is more than \$2,000 below fair market value, then use tax is based on fair market value unless evidence can be provided that the vehicle is worth less.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

However, if the fair market value is below \$3,000, the purchase price will be used in all circumstances.

Summary of Bill:

The use tax on a motor vehicle is reduced for an individual transferring a vehicle to an immediate family if the following requirements are met:

1. The legal owner of the motor vehicle has released its security interest in the motor vehicle upon satisfaction of the registered owner's outstanding debt on the motor vehicle;
2. The immediate family member acquiring the vehicle does not pay for the vehicle in excess of the debt owed on the vehicle;
3. The registered owner's interest in the motor vehicle is transferred to the immediate family member as evidenced on a registration certificate issued by the department of licensing within 90 days of the legal owner releasing its security interest in the motor vehicle;
4. Sales tax was previously paid on the vehicle; and
5. The immediate family member provides documentation establishing his or her eligibility for the tax treatment provided in the bill.

"Immediate family member" is defined to mean an individual's spouse, or domestic partner; child, adopted child, stepchild, grandchild, parent, stepparent, grandparent, brother, half brother, sister, or half sister of the individual, and the spouse, or the domestic partner of any such person; and a child, adopted child, stepchild, grandchild, parent, stepparent, grandparent, brother, half brother, sister, or half sister of the individual's spouse, or domestic partner, and the spouse, or the domestic partner of any the person.

With respect to determining the reduced use tax, the tax rate is multiplied by the lesser of: the fair market value of the vehicle or the lump-sum payment made by the immediate family member.

A tax preference performance statement is included that specifies that the public policy objective of the bill is provide use tax relief to individuals who pay off a vehicle loan for an immediate family member solely in exchange for ownership of the vehicle.

Appropriation: None.

Fiscal Note: Requested on February 9, 2015.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.