
Finance Committee

HB 1806

Brief Description: Concerning the valuation of vehicles in private sales for purposes of use taxation.

Sponsors: Representative Orcutt.

Brief Summary of Bill

- Provides that the calculation for retail sales or use tax on the sale of a vehicle between two private parties must be assessed on the actual purchase price paid by the buyer.

Hearing Date: 2/14/19

Staff: Tracey O'Brien (786-7152).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Since 1935, Washington residents have had the responsibility to pay use tax on the purchase of a vehicle from a private party. The use tax is applied at the same rate as the sales tax at the purchaser's address, and is paid by the buyer when the when the car title is transferred. The use tax is applied to the fair market value at retail of the vehicle purchased.

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.

The Department of Revenue (DOR) 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 the vehicle, the use tax is based on the price paid by the buyer. The DOR will accept a bill of sale as evidence of the vehicle's value so 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 the use tax is based on the fair market value unless the buyer can provide evidence the vehicle is worth less.

If the price paid by the buyer truly reflects the fair market value of the vehicle after its condition is taken into account, then use tax can be assessed on the buyer's purchase price. Documentation must be provided to support the lower value. The types of documentation that will be considered include:

- alternate fair market value at retail from any industry-accepted pricing guide;
- repair estimate prepared by an auto repair business that includes an itemized list of repairs; and
- written appraisal from a registered automobile dealer, insurance or other vehicle appraiser listing the value at retail.

However, if the fair market value is less than \$5,000, then the buyer's purchase price will be used to calculate the use tax without further documentation required.

Summary of Bill:

If the sale of a vehicle is between two private party sellers, the purchase price paid by the buyer is used to calculate the retail sales or use tax owed on the transaction.

Appropriation: None.

Fiscal Note: Requested on January 31, 2019.

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