

HOUSE BILL REPORT

HB 1545

As Reported By House Committee On:

Finance

Title: An act relating to providing a business and occupation tax exemption for sale of out-of-state motor vehicles.

Brief Description: Providing a business and occupation tax exemption for sale of out-of-state motor vehicles.

Sponsors: Representatives Mulliken, Boldt, Carrell, Chandler, McMorris, Koster, D. Schmidt, L. Thomas, Stevens, Beeksmma, Pelesky, Campbell, Mastin, McMahan, Hargrove, Hymes, Van Luven, Schoesler and Clements.

Brief History:

Committee Activity:

Finance: 2/16/95, 2/21/95 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the principal rates are:

Manufacturing, wholesaling, & extracting	0.506%
Retailing	0.471%
Services:	
- Business Services	2.5%
- Financial Services	1.7%
- Other activities	2.09%

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. Out-of-state companies who bring goods into Washington and sell these goods in Washington must pay B&O tax.

Summary of Bill: Wholesalers of automobiles are exempt from B&O tax on sales of automobiles at auctions when:

- (1) At the time of the auction the automobiles are registered in a state other than Washington; and
- (2) All sales at the auction are restricted to licensed motor vehicle dealers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: Out of state dealers no longer bring used automobiles into this state because the Department of Revenue started to collect B&O taxes. The supply of used autos went down and the price of them went up in Washington state. Two hundred and fifty cars per week were lost because of this tax. The Chrysler Corporation has moved their larger sales to Oregon which has caused layoffs. This bill will return these used vehicles to this state which in turn will cause the price to drop. The bill should be expanded to exempt all wholesale and fleet sales.

Testimony Against: None.

Testified: Representative Joyce Mulliken, prime sponsor; Bob Swartzentruber, Bob's Auto Mart; and Jim Boldt, Washington Auto Dealers Association.