

SPECIAL NOTICE

June 17, 2003

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Motor Vehicle Sales and Use Tax Rate Increase

Engrossed Substitute House Bill (ESHB) 2231 (Chapter 361, Laws of 2003) imposes an **additional** tax of three-tenths of one percent (0.3%) on motor vehicles.

What does this mean?

Effective July 1, 2003, motor vehicle dealers and motor vehicle leasing companies must collect the additional sales tax of three-tenths of one percent (0.3%) of the selling price on every retail sale, rental or lease of a motor vehicle in this state.

For Washington retailers, the difference this bill makes is that the rate of sales tax will be higher for sales, rentals, or leases of motor vehicles. Exemptions from the retail sales tax have not changed.

Which sales are subject to the additional tax?

Each retail sale, rental, or lease of a "motor vehicle" is subject to the additional tax. "Motor vehicle" means every vehicle that is self-propelled as described in RCW 46.04.320, but does not include farm tractors, farm vehicles, off-road vehicles, non-highway vehicles, and snowmobiles.

The additional tax applies to sales, rentals and leases of motor vehicles including:

- ◆ passenger cars,
- ◆ sports utility vehicles (SUVs),
- ◆ pickup trucks,
- ◆ commercial trucks,
- ◆ recreational vehicles (RVs),
- ◆ motorcycles, and
- ◆ buses.

(more)



The additional tax also applies to charges for all extra features added to the vehicle prior to delivery to the buyer or lessee. For example, the charge for a tow hitch added to a vehicle prior to delivery is subject to the additional sales tax.

Which sales are NOT subject to the ADDITIONAL tax?

Note: Unless a specific exemption applies, these sales remain subject to the regular sales tax.

- ◆ Retail car rentals that are subject to the rental car tax under RCW 82.08.020 (2),
- ◆ Amounts charged to the vehicle owner for post-sale/delivery equipment and installation,
- ◆ Sales of trailers,
- ◆ Amounts charged for repairs of motor vehicles,
- ◆ Sales of motor vehicles that are not subject to sales tax (e.g. sales to carriers engaged in interstate commerce, sales to the US Government, etc.).

How is this tax reported?

Department of Revenue tax returns for periods after June 30, 2003 will contain a separate line to report the additional tax on motor vehicles (Line 25 entitled *Motor Vehicle Sale/Lease Tax*). The regular sales tax is to be reported in the same manner as before this additional tax.

What about use tax?

The additional tax of three-tenths of one percent (0.3%) on motor vehicles also applies when use tax is due on a vehicle. Use tax applies at the time a vehicle is registered with the Department of Licensing if sales tax was not paid at the time the vehicle was acquired by the current owner. This would happen if a vehicle was purchased from a private party or if it was purchased outside of Washington.

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