



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JUNE 26, 2013

Transit Authorities Providing Paratransit Services

Tax exemptions are available to qualifying providers of ride sharing for persons with special transportation needs (“paratransit services”). A Transit Authority is a qualifying provider if it provides paratransit services or contracts with a third party that provides paratransit services as defined below.

Under RCW 46.74.010(4), “paratransit services” are arrangements in which people with special transportation needs, and their attendants, are transported:

- By a public social service agency or a private, nonprofit transportation provider as defined in RCW 81.66.010(4)
- In a passenger motor vehicle not more than twenty-eight feet long (includes small buses, cutaways, and modified vans). RCW 46.74.010(4) (“ride sharing for persons with special transportation needs”).

Private, for-profit transportation providers are not qualified paratransit providers for purposes of the exemptions. Further, each provider must separately qualify in order to claim an exemption(s).

Sales and use tax exemptions on the *purchase or use of paratransit vehicles*

A Transit Authority can buy or use qualifying passenger vehicles without paying retail sales or use tax when the vehicle is either purchased and/or used to provide paratransit services or leased to a third party that will use the vehicle to provide paratransit services.

When the Transit Authority purchases the vehicle, they must give the seller a Buyers Retail Sales Tax Exemption Certificate to receive the paratransit sales or use tax exemptions.

Taxability of *lease income from third parties*

The Transit Authority must pay retailing business and occupation tax and collect and remit retail sales tax on the lease payments. The retail sales tax must be calculated based on the amount of the lease payment or, if the Transit Authority only charges a nominal amount, on a reasonable rental value. RCW 82.08.010, WAC 458-20-211(7).

However, the Transit Authority will not need to collect retail sales tax if the third party lessee qualifies for a retail sales tax exemption and provides the Transit Authority with a completed exemption certificate and supporting documentation at the time of the lease.

Taxability of *paratransit fare income for Transit Authorities*

A Transit Authority is exempt from tax on fare income received from providing paratransit services. RCW 82.04.355, RCW 82.16.047.