

RENTAL CAR TAXES
RCW 82.08.020(2), plus local tax statutes

Tax Base Rental of automobiles. Rental cars are defined as passenger cars which are rented by rental car companies to customers, without drivers, for periods not in excess of 30 consecutive days. Rentals are also subject to state and local retail sales tax.

Tax Rate

- State - 5.9 percent.

- Local - 1 percent tax authorized for any county, RCW 82.14.049.
- 2 percent tax authorized for King County, RCW 82.14.360(2).
- 2.172 percent tax authorized for high capacity rapid transit, RCW 81.104.160; a rate of 0.8 percent is levied by the Regional Transit Authority.
- 1.944 percent tax authorized for a City Transportation Authority to finance a monorail system, RCW 35.95A.080(4). This tax is not levied.
- 0.805 percent tax (13.64 percent of the state rental car rate) authorized for King, Snohomish, or Pierce counties for high occupancy vehicles lanes, RCW 81.100.060. This tax has not been levied.

The combined rental car rate is currently 9.7 percent in King County (plus retail sales tax).

Levied by

- State

- Local - currently, four counties levy the 1 percent county tax: Franklin, King, Pierce and Spokane counties
- King County imposes the additional 2 percent tax for Safeco Field.
- The RTA levies a tax of 0.8 percent in the metropolitan areas of King, Pierce, and Snohomish counties.

Administration Department of Revenue. Rental car companies collect the state and local tax from customers and report the taxes on an addendum to the Combined Excise Tax Return. Thus, the same reporting frequency as used for retail sales and B&O tax applies to the rental car return.

Exemptions, Deductions and Credits

- vehicles rented or loaned to customers by auto repair businesses.
- vehicles licensed and operated as taxicabs.

Recent Collections

STATE TAX: (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2006	\$21,954	13.9%	0.1%
2005	19,282	(4.5)	0.1
2004	20,181	(2.1)	0.2
2003	20,622	0.4	0.2
2002	20,544	(6.8)	0.2
2001	22,032	4.4	0.2
2000	21,111	6.8	0.2
1999	19,767	9.0	0.2
1998	18,143	1.4	0.2
1997	17,887	29.3	0.2

LOCAL TAX DISTRIBUTIONS: (\$000)

<u>Calendar Year</u>	<u>County 1% Collections</u>	<u>King Co 2% Collections</u>	<u>RTA 0.8% Collections</u>
2006	\$3,285	\$5,404	\$2,398
2005	3,048	5,005	2,224
2004	2,877	4,697	2,158
2003	2,917	4,793	2,101
2002	2,933	4,831	2,169
2001	3,143	5,185	2,339
2000	3,162	5,228	2,756
1999	2,997	4,931	2,173
1998	3,309	4,656	2,066
1997	2,415	4,006	1,198

Distribution of Receipts

State 5.9% rate: Receipts of the state tax are deposited into the multimodal transportation account per RCW 47.66.070.

County 1% rate: After deduction of the state administrative cost, the local receipts are distributed to the appropriate counties, to be used only for construction or operation of public sports stadiums or for youth or amateur sports activities or facilities (no more than 25 percent of the proceeds may be used for youth activities).

County 0.805%: Receipts used to finance HOV lanes. (Tax is not levied.)

- King Co. 2% rate: After deduction of the state administrative cost, the local receipts are distributed to King County, to be used only for financing the principal and interest payments for bonds or for related design and preconstruction costs for Safeco Field in Seattle.
- RTA 0.8% rate: Proceeds of the tax are devoted to financing of a high capacity, rapid transit system.
- Monorail 1.944%: Receipts dedicated to a monorail system. (Tax is not levied.)

History

The initial rental car tax was adopted in 1992 and the state rate was first effective on January 1, 1993. Four counties implemented the 1 percent local tax in October 1992. In 1995, the Legislature authorized the additional 2 percent local tax for King County to provide funding for construction of the professional baseball stadium in Seattle, and the King County Council imposed the tax effective for collection on January 1, 1996. The local tax for high capacity transit was authorized by the Legislature in 1992 and was first levied by the Regional Transit Authority, effective April 1, 1997, at a rate of 0.8 percent.

The state tax was previously distributed in the same manner as the motor vehicle excise tax. With the repeal of the motor vehicle excise tax, effective January 1, 2000, the receipts of the state rental car tax were transferred into the newly created multimodal transportation account in 2000.

In 2002 authority for a similar local rental car tax, previously contained in RCW 35.58.273, was repealed. This allowed for a tax of up to 1.944 percent for funding of mass transit programs by cities, but the tax had never been implemented in any city. Instead, this financing source was transferred to financing a monorail system.

Discussion/Major Issues

Approximately 70 firms currently report rental car tax.

The legislative intent in enacting the state and 1 percent county rental car tax in 1992 was that the new taxes would replace the motor vehicle excise tax but not increase the overall burden of tax for rental car companies. Previously, the MVET applied to all rental cars located in the state, even those only temporarily used in the state for short periods of time, and no apportionment of the tax was provided to reflect the time the vehicle was actually operated in Washington. Instead, the new tax shifts the burden directly to the customers and better reflects actual use of the vehicles within the state.

The combined tax rate for rental car customers is quite high. Including the retail sales tax, the combined tax rate for car rentals in most of King County is currently 18.5 percent (9.7 percent in state and county rental car taxes plus 8.8 percent in state and local sales taxes).