Multiple Agency Fiscal Note Summary

Bill Number: 1572 HB	Title:

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	188,410,000	188,410,000	199,840,000	247,990,000	247,990,000	263,630,000	260,570,000	260,570,000	278,380,000
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	188,410,000	188,410,000	199,840,000	247,990,000	247,990,000	263,630,000	260,570,000	260,570,000	278,380,000

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.1	20,300	20,300	20,300	.0	16,200	16,200	16,200	.0	16,200	16,200	16,200
Department of Revenue	.3	78,000	78,000	78,000	.0	0	0	0	.0	0	0	0
Department of Licensing	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	0.4	98,300	98,300	98,300	0.0	16,200	16,200	16,200	0.0	16,200	16,200	16,200

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Kyle Siefering, OFM	Phone: (360) 995-3825	Date Published: Final 5/ 7/2021

Individual State Agency Fiscal Note

Bill Number: 1572 HB	Title:	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	12,200	8,100	20,300	16,200	16,200
Total $	12,200	8,100	20,300	16,200	16,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

X If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Nick Tucker	Phone: 360-786-7383	Date: 04/05/2021
Agency Preparation:	Dana Lynn	Phone: 360-786-5177	Date: 04/06/2021
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 04/06/2021
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 04/07/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Among other changes to statutes pertaining to rental car companies, this bill provides a sales and use tax exemption for electric or hybrid vehicles purchased by rental car companies for use in rentals to consumers.

TAX PERFORMANCE STATEMENT

Section 7 is the tax performance statement for the new preference enacted in sections 1 and 2. The preference is categorized as intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808 (2)(a). The specific public policy objective is to increase the percentage of electric, hybrid, and fuel cell vehicles, as well as the fueling infrastructure that supports them, in the state.

If a review finds that the percentage of vehicles in the state that are electric, hybrid, or fuel cell has surpassed that of conventional gas vehicles, and the amount of fueling infrastructure for electric, hybrid, or fuel cell vehicles has increased, then the Legislature intends to extend the expiration date of the tax preference.

To perform this review, JLARC is to use any data collected by the state. The new preferences take effect October 1, 2021, and are scheduled to expire July 1, 2032.

OTHER SECTIONS OF THE BILL

Section 1 and 2 add new sections to chapters 82.08 and 82.12 RCW noting that neither sales nor use tax applies to sales of motor vehicles to rental car companies, if the vehicle is used exclusively for renting to consumers in the ordinary course of business and the vehicle is an electric or a hybrid vehicle. All terms used in the new exemption are defined. The sections expire January 1, 2032.

Section 3 adds a new subsection (RCW 82.08.020(2)(b)), creating a new retail tax of 5.9% to be assessed on “peer-to-peer car sharing transactions.” Revenue from the new tax must be deposited in the multimodal transportation account created in RCW 47.66.070.

RCW 82.08.020(2)(b)(ii) is created to note the tax rate for peer-to-peer care sharing transactions is zero percent when:
- Rental car companies are authorized to use a reseller permit to acquire vehicles to use as rental cars; or
- Any law, rule, or regulation is enacted that exempts a rental are company from having to pay sales or use tax or any other tax usually applied to a transaction involving purchases of motor vehicles as a sales for resale or for any other reason.

The rate in RCW 82.08.020(2)(b)(ii) takes effect when either of the two conditions above take effect. Terms used in section 3 are defined.

Section 4 adds a new subsection (RCW 82.12.020(6)), noting that for motor vehicles purchased before the effective date of this section only, the Department of Revenue may not assess use tax against a taxpayer that is currently benefitting from a use tax exemption solely because of the expiration or repeal of that use tax exemption, unless a contrary intention is clearly expressed in law.

Section 5 amends the definition of “retail sale” to add RCW 82.04.050 (1)(d), stating that notwithstanding any law, rule, or regulation to the contrary, “sale at retail” or “retail sale” also mean the acquisition of a rental car by a rental car company.

Section 6 adds a new subsection (RCW 82.12.010(1)(b)), noting the term “consumer” includes a rental car company as defined in RCW 48.115.005, that acquires a rental car for any purpose, including renting to others for periods not over 30 consecutive days.

Section 8 states sections 1 through 6 take effect October 1, 2021.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

JLARC staff would contact and work with the Departments of Revenue and Licensing immediately after passage of the bill to ensure project contacts and data sources are established to gather data on hybrid and electric vehicles purchased by rental car companies, as well as any other necessary data for JLARC staff’s future evaluation needs.

The expenditure detail noted reflects work conducted to establish data collection and to prepare the future review, which will likely occur in 2030, prior to expiration of the preference on July 1, 2032. The estimate does not include actual expenditures to produce the evaluation. The bulk of this work will occur outside the fiscal biennia detailed in this fiscal note.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2021 legislative session.

This audit will require an estimated 3 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst’s time for a month, together with related administrative, support, and goods/services costs. JLARC’s anticipated 2021-23 costs are calculated at approximately $20,300 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	12,200	8,100	20,300	16,200	16,200
		Total $	12,200	8,100	20,300	16,200	16,200

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	7,600	5,100	12,700	10,200	10,200
B-Employee Benefits	2,400	1,600	4,000	3,200	3,200
C-Professional Service Contracts					
E-Goods and Other Services	2,000	1,300	3,300	2,600	2,600
G-Travel	200	100	300	200	200
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	12,200	8,100	20,300	16,200	16,200

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Research Analyst	113,827	0.1		0.1		
Support staff	77,705					
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Bill Number: 1572 HB	Title:	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	69,100,000	119,700,000	188,800,000	248,500,000	261,100,000
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(140,000)	(250,000)	(390,000)	(510,000)	(530,000)
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax	4,280,000	6,850,000	11,130,000	15,240,000	17,390,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	110,000	190,000	300,000	400,000	420,000
Total $	73,350,000	126,490,000	199,840,000	263,630,000	278,380,000

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.6		0.3		
Account					
GF-STATE-State 001-1	78,000		78,000		
Total $	78,000		78,000		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☒ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Nick Tucker	Phone: 360-786-7383	Date: 04/05/2021
Agency Preparation:	Marianne McIntosh	Phone: 360-534-1505	Date: 05/03/2021
Agency Approval:	Kim Davis	Phone: 360-534-1508	Date: 05/03/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 05/07/2021

Request # 1572-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill , and any related workload or policy assumptions , that have revenue or expenditure impact on the responding agency .

Note: This fiscal note reflects language in HB 1572, 2021 Legislative Session.

CURRENT LAW:
Rental vehicles purchased by rental car companies are a purchase for resale, exempt from retail sales and use taxes.

"Rental car company" means any person in the business of renting cars to the public including a franchisee.

"Rental car" means any motor vehicle that is intended to be rented or leased for a period of 30 consecutive days or less by a driver who is not required to possess a commercial driver's license to operate the motor vehicle and the motor vehicle is either of the following:
1. Passenger vehicle, van, recreational vehicle, mini-van, and sports utility vehicle; or
2. Cargo vehicle including van, pick-up truck or truck with a gross weight of less than 26 thousand pounds.

Peer-to-peer car sharing transactions are assessed retail sales tax on the vehicle rental sales but not rental car tax.

PROPOSAL:
The bill amends RCW 82.04.050, as amended in 2017 and 2020, to include purchases of cars by rental car companies as a retailing activity. Vehicles purchased to rent by rental companies are assessed retail sales and use taxes.

RCW 82.12.010 is amended to define rental car companies as a consumer. Rental car companies who utilized vehicles on which retail sales tax was not paid will need to pay use tax. The bill amends RCW 82.12.020 to include that the Department of Revenue (Department) may not assess use tax on vehicles acquired by rental car companies prior to the effective date of the bill.

RCW 82.08.020 is amended to assess five and nine tenth percent rental car tax on rental vehicles that qualify as peer-to-peer sharing transactions. Peer-to-peer car sharing means the authorized use of a vehicle by an individual other than the vehicle's owner through a peer-to-peer car sharing program. It does not mean: "retail car rental" as defined RCW 82.08.011 or "rental car" as defined RCW 46.04.465 or 48.115.005.

Should rental car companies become authorized to utilize a reseller permit to acquire vehicles for use as rental cars or any law, rule, or regulation takes effect which exempts a rental care company from the obligation to pay sales or use tax or any other tax generally applicable to a transaction involving the acquisition of any motor vehicle as a sale for resale or for any other reason, than the rental car tax rate will be zero percent for peer-to-per sharing transactions.

This proposal adds a new section to RCW 82.08 and RCW 82.12 to exempt electric or hybrid vehicles purchased by rental car companies for rental purposes from retail sales and use tax. This exemption expires January 1, 2032.

"Hybrid vehicle" means a vehicle with a hybrid propulsion system that operates on both traditional fuel and stored electricity. "Electric vehicle" means a vehicle that uses energy stored in a rechargeable battery packs or in hydrogen fuel cells and which relies solely on electric motors for propulsion.

EFFECTIVE DATE:
The effective date is October 1, 2021.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

ASSUMPTIONS
- Based on Washington's gross domestic product compared to US, we estimate 42,300 new cars, 450 new trucks, and 100 recreational vehicles (RV) purchased for rental starting in Fiscal Year 2022.
- Due to the COVID-19 pandemic, fleet purchases by rental car companies decreased over 50 percent in Calendar Year 2020 compared to 2019. Industry analysts project rental car companies will slowly refill their fleets as consumers begin traveling more. Analysts expect rental car company inventories to reach pre-pandemic levels by end of 2022. Beginning in 2023, the growth rate for rental car purchases is three percent based on pre-pandemic levels.
- The growth rate for box truck purchases mirrors the growth for light vehicles sales as reflected in the IHS Markit forecast.
- Demand for recreational vehicle (RV) rentals continues to increase. This estimate assumes growth of 4.3 percent per year.
- Per the Bureau of Economic Analysis, the average sale price of a new vehicle is $38,000.
- The average new box truck price is $50,000 and the average RV price is $42,000.
- Hybrid passenger vehicles are about 2.4 percent of light vehicles sales.
- Local impacts use the statewide average local sales and use tax rate of 2.8533 percent.
- Peer-to-peer vehicle sharing (P2P) rental sales declined at the start of the pandemic, saw an increase in sales towards the end of 2020. The increase in sales is due to the rental car companies decreasing their fleet inventory in 2020 and more renters wanting to travel by car instead of air to decrease exposure to COVID.
- Peer-to-peer vehicle sharing market is expected to have a compound annual growth rate of 24% through 2026. After 2026, growth matches rental sales tax growth.
- Peer-to-peer sharing transactions include renting personal passenger vehicles as well as recreational vehicles.
- This legislation passes effective October 1, 2021, and impacts eight months of collections in Fiscal Year 2022.
- Revenues as estimated assume passage of the proposal by April 25, 2021, allowing a full 90 days to implement.

DATA SOURCES
- Department of Revenue, Excise tax returns and 2020 Tax Statistics report
- Washington State Office of Financial Management, April 1, 2020 population estimates
- AutoRentalNews.com, FACT BOOK, 2021, Vol. 33 "New Vehicles Sold into Rental Fleets"
- IHS Market, Light Vehicles, November 2020 Forecast
- Bureau of Transportation Statistics, US Automobile and Truck Fleets by Use
- Bureau of Economic Analysis, US Department of Commerce, National and WA Gross Domestic Product
- Transportation Energy Data Book, Edition 38, Table 6.2 "Hybrid and Plug-in Vehicle Sales, 1999-2019 "
- Mordor Intelligence, Recreational Vehicle Rental Market
- RV Industry Association, Historical RV Data
- Global Market Insights, Car Sharing Market Size by Model
- The Guardian, August 12, 2020, "Car sales rise and car-share companies boom as pandemic upends transportation "

REVENUE ESTIMATES
This bill increases state revenues by an estimated $73.4 million in the 8 months of impacted collections in Fiscal Year 2022, and by $126.5 million in Fiscal Year 2023, the first full year of impacted collections. This bill also increases local revenues l an estimated $30.5 million in the 8 months of impacted collections in Fiscal Year 2022, and by $52.8 million in Fiscal Year 2023, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2022 - $ 73,350
FY 2023 - $ 126,490
FY 2024 - $ 130,020
FY 2025 - $ 133,610
FY 2026 - $ 137,420
FY 2027 - $ 140,960

Local Government, if applicable (cash basis, $000):
FY 2022 - $ 30,520
FY 2023 - $ 52,750
FY 2024 - $ 54,080
FY 2025 - $ 55,520
FY 2026 - $ 56,980
FY 2027 - $ 58,390

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived . Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing

ASSUMPTIONS:
This bill affects approximately 315 taxpayers.

FIRST YEAR COSTS:
The Department will incur total costs of $78,000 in Fiscal Year 2022. These costs include :

Labor Costs – Time and effort equates to 0.57 FTEs.
- Respond to additional taxpayer phone calls, emails and web inquiries.
- Test and administer system changes.
- Amend one administrative rule and one excise tax advisory.
- Create one new administrative rule.

Object Costs - $13,200.
- Contracted system programming.

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.6		0.3		
A-Salaries and Wages	39,700		39,700		
B-Employee Benefits	14,300		14,300		
C-Professional Service Contracts	13,200		13,200		
E-Goods and Other Services	6,900		6,900		
J-Capital Outlays	3,900		3,900		
Total $	$78,000		$78,000		

III. B - Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
EMS BAND 5	139,090	0.0		0.0		
EXCISE TAX EX 2	54,108	0.1		0.1		
MGMT ANALYST4	70,956	0.3		0.2		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.1		0.1		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		0.6		0.3		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

Should this legislation become law, the Department will use the expedited process to amend WAC 458-20178, titled: "Use tax and the use of tangible personal property" and the standard process to create one new rule. Should this legislation become law, the Department will also amend ETA 3116.2009, titled: "Car Sharing Organizations." Persons affected by this rule making would include car rental companies and car sharing organizations.

Individual State Agency Fiscal Note

Bill Number: 1572 HB	Title:	Agency: 240-Department of Licensing

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Nick Tucker	Phone: 360-786-7383	Date: 04/05/2021
Agency Preparation:	Don Arlow	Phone: (360) 902-3736	Date: 04/08/2021
Agency Approval:	Kristin Bettridge	Phone: 360-902-3644	Date: 04/08/2021
OFM Review:	Kyle Siefering	Phone: (360) 995-3825	Date: 04/13/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill modifies the sales and use tax treatment of motor vehicles purchased by rental car companies. The Department of Licensing (DOL) does not expect an expenditure impact under this bill.

The Department of Licensing (DOL) collects sales and use tax on motor vehicle sales transactions. Under current law rental car companies are not charged sales tax upon purchase of vehicles for their fleet. The appropriate sales tax is collected when vehicles are rented to customers, then remitted to the Department of Revenue (DOR). The department will continue to use the Rental Car Sales and Use tax exemption process currently available in DRIVES, the department's vehicle and driver information system. The agency will also continue to use DOR Reseller Permit Sales and Use tax exemptions currently in DRIVES.

DOL does not regulate peer-to-peer vehicle sharing programs, drivers or participants. It is assumed that any new taxes on these vehicle transactions would be collected by DOR, not DOL.

Section 1 creates a new section in Chapter 82.08 RCW and creates a sales tax exemption for the sales of motor vehicles to a rental car company, if the motor vehicle is used exclusively for the purpose of renting to consumers and is :
(a) An electric vehicle; or
(b) A hybrid vehicle.

*Section expires January 1, 2032.

Section 2 creates a new section in Chapter 82.12 RCW and creates a use tax exemption for the sales of motor vehicles to a rental car company, if the motor vehicle is used exclusively for the purpose of renting to consumers and is :
(a) An electric vehicle; or
(b) A hybrid vehicle.

*Section expires January 1, 2032.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

This bill will have a positive but indeterminate cash receipts impact. The bill creates tax preferences for the rental car companies by eliminating the sales and use tax for electric, hydrogen and hybrid vehicles. Car rental companies may increase the number of vehicles subject to the preference in their rental car fleets. In those cases, the collection of DOL fees associated with the electric, hydrogen and hybrid vehicles ($150 and $75 fees) would increase. Currently there are no available projections to determine the potential magnitude of the increase.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required