

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5663 SB	<b>Title:</b> Abandoned vehicles sold at auction
-----------------------------	--

## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(32,000)	(32,000)	43,000	(46,000)	(46,000)	60,000	(47,000)	(47,000)	61,000
Department of Licensing	0	0	171,900	0	0	243,400	0	0	252,200
<b>Total \$</b>	<b>(32,000)</b>	<b>(32,000)</b>	<b>214,900</b>	<b>(46,000)</b>	<b>(46,000)</b>	<b>303,400</b>	<b>(47,000)</b>	<b>(47,000)</b>	<b>313,200</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(29,700)		(41,580)		(43,560)
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		(29,700)		(41,580)		(43,560)

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.3	71,600	71,600	71,600	.0	0	0	0	.0	0	0	0
Department of Licensing	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.3</b>	<b>71,600</b>	<b>71,600</b>	<b>71,600</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

--

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/15/2023
---------------------------------------	---------------------------------	---

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5663 SB	<b>Title:</b> Abandoned vehicles sold at auction	<b>Agency:</b> 140-Department of Revenue
-----------------------------	--	--

## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(12,000)	(28,000)	(40,000)	(58,000)	(59,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	2,000	6,000	8,000	12,000	12,000
Multimodal Transportation Account-State 01 - Taxes 58 - Motor Vehicle Excise	23,000	52,000	75,000	106,000	108,000
<b>Total \$</b>	13,000	30,000	43,000	60,000	61,000

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.1	0.3		
GF-STATE-State 001-1	63,000	8,600	71,600		
<b>Total \$</b>	63,000	8,600	71,600		

### 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:	Phone:	Date: 01/31/2023
Agency Preparation: Sara del Moral	Phone: (60) 534-1525	Date: 02/13/2023
Agency Approval: Valerie Torres	Phone: (60) 534-1521	Date: 02/13/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/14/2023

Request # 5663-1-1

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

##### BUSINESS AND OCCUPATION TAX:

Washington levies the business and occupation (B&O) tax on gross income from Washington-based business activity. The tax rate varies by classification.

For retailing activities, the tax rate is 0.471%.

##### RETAIL SALES AND USE TAXES:

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use taxes applies to the value of property, digital product or service when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5%; local sales and use tax rates vary from 0.5% to 3.0%, depending on the location.

Motor vehicle sales are exempt from the public safety component of the local retail sales tax.

##### MOTOR VEHICLE SALES/LEASES TAX:

Under the motor vehicle sales/leases tax, sellers must collect an additional sales tax of 0.3% of the selling price of each motor vehicle. If a seller does not collect the sales tax, then a buyer must pay an additional use tax of 0.3% when registering the vehicle with the Department of Licensing.

##### TOW TRUCK OPERATORS:

A tow truck operator (operator) may apply a lien against the sale of an abandoned vehicle in the amount of charges for towing and storage plus the associated retail sales tax. It must try to make the sale via public auction. If there is no successful bidder, it must sell the vehicle to a licensed vehicle wrecker, hulk hauler or scrap processor.

This sale has tax implications for two separate transactions:

- towing and storage charges
- sale of the vehicle

Transaction 1 - Towing and storage charges: Income received for automobile towing and storage services is subject to the retailing B&O tax and the retail sales tax.

When sale proceeds are less than the lien, an operator may back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

When the sale proceeds are greater than the lien, an operator may not back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

Transaction 2 - Sale of the vehicle: The sale of an abandoned vehicle is excluded from the definition of a "sale" under state law. As a result, the transaction is not subject to the retail sales tax, retailing B&O tax or the motor vehicle sales/leases tax. However, the transaction is subject to the B&O tax under the service/other classification. As an operator may deduct the full sales amount, no B&O tax is due.

If the buyer is a consumer, the purchase is still subject to the use tax and the motor vehicle sales/leases tax, which are collected by the Department of Licensing (DOL) when the buyer registers the vehicle.

Surplus funds: When the proceeds of an auction sale exceed the amount necessary to satisfy the towing and storage lien (and the applicable retail sales tax), this results in surplus funds. An operator must remit these to the DOL.

#### PROPOSAL:

Gross proceeds from the sale of an abandoned vehicle are not taxed as the sale of towing and storage services.

The sale of an abandoned vehicle is included in the definition of a “sale.” As a result, the transaction is subject to the retail sales tax, the motor vehicle sales/leases tax and the retailing B&O tax.

For the retail sales tax and the retailing B&O tax, an operator may deduct from the taxable amount any surplus funds.

If the buyer is a consumer, any portion of the sales price in excess of the lien is still subject to the use tax, which is collected by the Department of Licensing when the buyer registers the vehicle.

The new tax preference performance provisions do not apply to this bill (see section 4 of the bill).

#### EFFECTIVE DATE:

This bill takes effect on January 1, 2024.

## II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS:

- The average cost for towing and storage charges was \$1,340 in 2022.
- The average price for each abandoned vehicle with a sales price below the lien was \$125 in 2017.
- Annual growth in charges for towing and storage mirrors the Economic and Revenue Forecast Council forecast for the Seattle consumer price index, urban.
- We derived annual growth rates for the following from the Department of Licensing forecast for abandoned vehicles:
  - sales price for a vehicle with a sales price below the lien
  - number of abandoned vehicle sales
- Currently, tribes with compacts receive a share of state sales and use tax (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.

#### DATA SOURCES:

- City of Seattle. Max towing fees: Private property impounds. Retrieved February 9, 2023 from <https://www.seattle.gov/your-rights-as-a-customer/find-a-towed-car/max-towing-fees-private-property-impounds>
- Department of Licensing, Abandoned vehicle forecast, November 2022
- Department of Licensing, Tow truck affidavit of sale data
- Economic and Revenue Forecast Council, November 2022 forecast

#### REVENUE ESTIMATES

This bill increases state revenues by an estimated \$13,000 in the five months of impacted collections in fiscal year 2024, and by \$30,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$9,000 in the five months of impacted collections in fiscal year 2024, and by \$21,000 in fiscal year 2025, the first

full year of impacted collections.

**STATE GOVERNMENT IMPACT:**

State Government (cash basis, \$000):

FY 2024 - \$ 13  
FY 2025 - \$ 30  
FY 2026 - \$ 30  
FY 2027 - \$ 30  
FY 2028 - \$ 31  
FY 2029 - \$ 30

Local Government, if applicable (cash basis, \$000):

FY 2024 - (\$ 9)  
FY 2025 - (\$ 21)  
FY 2026 - (\$ 21)  
FY 2027 - (\$ 21)  
FY 2028 - (\$ 22)  
FY 2029 - (\$ 22)

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

**ASSUMPTIONS:**

This bill affects 800 taxpayers.

**FIRST YEAR COSTS:**

The department will incur total costs of \$63,000 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.57 FTEs.

- Amend two excise tax advisories (ETA).
- Gathering requirements, implementation meetings, documentation, and testing of system changes.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.

Object Costs - \$6,600.

- Computer system changes, including contract programming.

**SECOND YEAR COSTS:**

The department will incur total costs of \$8,600 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTEs.

- Examine accounts and make corrections as necessary.

**ONGOING COSTS:**

There are no ongoing costs.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.1	0.3		
A-Salaries and Wages	33,600	5,600	39,200		
B-Employee Benefits	11,100	1,800	12,900		
C-Professional Service Contracts	6,600		6,600		
E-Goods and Other Services	8,000	900	8,900		
J-Capital Outlays	3,700	300	4,000		
<b>Total \$</b>	<b>\$63,000</b>	<b>\$8,600</b>	<b>\$71,600</b>		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
EXCISE TAX EX 2	55,872	0.3	0.1	0.2		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.1		0.1		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		<b>0.6</b>	<b>0.1</b>	<b>0.4</b>		

### 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

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

## Part V: New Rule Making Required

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5663 SB	<b>Title:</b> Abandoned vehicles sold at auction	<b>Agency:</b> 240-Department of Licensing
-----------------------------	--	--

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Motor Vehicle Account-State 108-1	54,000	117,900	171,900	243,400	252,200
<b>Total \$</b>	54,000	117,900	171,900	243,400	252,200

### 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:	Phone:	Date: 01/31/2023
Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 02/14/2023
Agency Approval: Gerrit Eades	Phone: (360)902-3863	Date: 02/14/2023
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 02/14/2023



## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

See attached fiscal note

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

See attached fiscal note

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished 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:** *FTEs listed by classification and corresponding annual compensation. Totals 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

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: SB 5663

Bill Title: Concerning abandoned vehicles sold at auctions conducted by registered tow truck operators (RTTO)

**Part 1: Estimates**

**No Fiscal Impact**

**Estimated Cash Receipts:**

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	54,000	118,000	172,000	243,000	253,000
<b>Account Totals</b>		<b>54,000</b>	<b>118,000</b>	<b>172,000</b>	<b>243,000</b>	<b>253,000</b>

**Estimated Expenditures:**

None. Program does not anticipate additional workload regarding this bill.

*The revenue 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 the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- 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.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Linda Hamilton	Phone: (360) 515-8620	Date:
Agency Preparation: Gina Rogers	Phone: (360) 634-5036	Date: 2/13/2023
Agency Approval: Gerrit Eades	Phone: (360) 902-3931	Date:

Request #	1
Bill #	5663 SB

## **Part 2 – Explanation**

This bill sets new requirements for the sale of abandoned vehicles by registered tow truck operators (RTTO's):

- Gross proceeds are subject to tax as the sale of tangible personal property
- Requires RTTOs to collect applicable taxes when selling abandoned vehicles at a public auction, or to a licensed vehicle wrecker, hulk hauler, or scrap processor

### **2.A – Brief Description Of What The Measure Does That Has Fiscal Impact**

Sec. 1 – Amends RCW 82.04.040

- Strikes language exempting the transfer of ownership, title, or possession of abandoned vehicles sold by RTTOs at a public auction from the definition of “sale”

Sec. 2 – Adds a new section to chapter 82.04 RCW

- (1) provides that the gross proceeds of abandoned vehicle sales by an RTTO under RCW 46.55.130 are subject to tax as the sale of tangible personal property under this chapter
  - They are not subject to taxes as the sale of auto towing and storage services
- (2) allows RTTOs to deduct any surplus proceeds required to be transmitted to DOL (under RCW 46.55.130 and RCW 46.55.200), from taxable amounts under subsection (1)
- (3) “abandoned vehicle” and “registered tow truck operator” have the same meaning as in RCW 46.55.010

Sec. 3 – Adds a new section to chapter 82.08 RCW

- (1) requires RTTOs to collect applicable taxes under RCW 82.08.020 when making a retail sale of abandoned vehicles at a public auction or to a licensed vehicle wrecker, hulk hauler, or scrap processor
  - Unless the sale is specifically exempt under this chapter
  - For purposes of this chapter, these sales are treated solely as the sale of tangible personal property (not the sale of auto towing and storage services)
- (2) provides that individuals selling abandoned vehicles at a public auction as the agent of an RTTO are subject to tax under subsection (1)
- (3) “abandoned vehicle” and “registered tow truck operator” have the same meaning as in RCW 46.55.010

Sec. 4 – New Section

- Exempts this act from the provisions of RCW 82.32.805 and RCW 82.32.808

Sec. 5 – Repeals

- Repeals 2019 c 357 s 1, and s 3

Sec. 6 – New Section

- Adds an effective date of January 1, 2024

**2.B - Cash receipts Impact**

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	54,000	118,000	172,000	243,000	253,000
<b>Account Totals</b>		<b>54,000</b>	<b>118,000</b>	<b>172,000</b>	<b>243,000</b>	<b>253,000</b>

This bill sets new requirements for the sale of abandoned vehicles by RTTO's:

- Gross proceeds are subject to tax as the sale of tangible personal property
- Requires RTTOs to collect applicable taxes when selling abandoned vehicles at a public auction, or to a licensed vehicle wrecker, hulk hauler, or scrap processor

Surplus funds are collected to their own specific revenue account code (RAC) within fund 108 (vehicles).

**2.C – Expenditures**

Program does not anticipate additional workload regarding this bill.

**Part 3 – Expenditure Detail**

None.

**Part 4 – Capital Budget Impact**

None.

**Part 5 – New Rule Making Required**

None.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 5663 SB	<b>Title:</b> Abandoned vehicles sold at auction
-----------------------------	--

**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: Loss of sales tax revenue
- Counties: Loss of sales tax revenue
- Special Districts: Loss of sales tax revenue
- Specific jurisdictions only:
- Variance occurs due to:

**Part II: Estimates**

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: How many abandoned vehicles sold will be taxed

**Estimated revenue impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(2,654)	(6,192)	(8,846)	(12,384)	(12,974)
County	(3,262)	(7,611)	(10,873)	(15,222)	(15,948)
Special District	(2,994)	(6,987)	(9,981)	(13,974)	(14,638)
<b>TOTAL \$</b>	(8,910)	(20,790)	(29,700)	(41,580)	(43,560)
<b>GRAND TOTAL \$</b>	(114,840)				

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/14/2023
Leg. Committee Contact:	Phone:	Date: 01/31/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/14/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/14/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill would:

- add a new section to RCW 82.04 that clarifies that the gross proceeds of sales of abandoned vehicles by a registered tow truck operator are not subject to tax under this chapter as the sale of automobile towing and storage services, but such gross proceeds of sales of abandoned vehicles by a registered tow truck operator are subject to tax under this chapter as the sale of tangible personal property
- add a new section to 82.08 that a registered tow truck operator must collect the applicable taxes under RCW 82.08.020 when making a retail sale of abandoned vehicles, such sales are treated solely as the sale of tangible personal property and not as the sale of automobile towing and storage services

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would not impact local government expenditures because no action is required.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This legislation would have an indeterminate revenue impact on local governments. It is unknown how many abandoned vehicles will be sold or for what amount, therefore the sales tax revenue cannot be estimated.

According to the Department of Revenue (DOR) this bill increases state revenues by an estimated \$13,000 in the five months of impacted collections in fiscal year 2024, and by \$30,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$9,000 in the five months of impacted collections in fiscal year 2024, and by \$21,000 in fiscal year 2025, the first full year of impacted collections. Please see the DOR fiscal note for their assumptions and data sources.

#### REVENUE LOSS BREAKDOWN

Counties:

FY 2024	-\$3,262
FY 2025	-\$7,611
FY 2026	-\$7,611
FY 2027	-\$7,611
FY 2028	-\$7,974
FY 2029	-\$7,974

Cities:

FY 2024	-\$2,654
FY 2025	-\$6,192
FY 2026	-\$6,192
FY 2027	-\$6,192
FY 2028	-\$6,487
FY 2029	-\$6,487

Special Districts:

FY 2024	-\$2,994
FY 2025	-\$6,987
FY 2026	-\$6,987

FY 2027 -\$6,987  
FY 2028 -\$7,319  
FY 2029 -\$7,319

**METHODOLOGY:**

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has also been deducted.

**SOURCES:**

Department of Licensing  
Department of Licensing fiscal note, SB 5663 (2023)  
Department of Revenue fiscal note, SB 5663 (2023)  
Department of Revenue Local Tax Distributions (2021)  
Local Government Fiscal Note program, Local Sales Tax model 2023  
Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023





# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 5663 SB	<b>Title</b> Abandoned vehicles sold at auction
-------------------------------	--

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Department of Revenue	25,000	58,000	59,000	59,000	60,000	60,000	61,000	62,000	62,000	63,000	569,000
Department of Licensing	54,000	117,900	122,200	121,200	124,500	127,700	130,300	132,500	135,400	138,300	1,204,000
<b>Total</b>	<b>79,000</b>	<b>175,900</b>	<b>181,200</b>	<b>180,200</b>	<b>184,500</b>	<b>187,700</b>	<b>191,300</b>	<b>194,500</b>	<b>197,400</b>	<b>201,300</b>	<b>1,773,000</b>



# Ten-Year Analysis

<b>Bill Number</b> 5663 SB	<b>Title</b> Abandoned vehicles sold at auction	<b>Agency</b> 140 Department of Revenue
-------------------------------	--	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                 
  **Partially Indeterminate Cash Receipts**
                 
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Business and occupation tax	001	2,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	56,000
Motor vehicle excise tax	218	23,000	52,000	53,000	53,000	54,000	54,000	55,000	56,000	56,000	57,000	513,000
<b>Total</b>		<b>25,000</b>	<b>58,000</b>	<b>59,000</b>	<b>59,000</b>	<b>60,000</b>	<b>60,000</b>	<b>61,000</b>	<b>62,000</b>	<b>62,000</b>	<b>63,000</b>	<b>569,000</b>
<b>Biennial Totals</b>		<b>83,000</b>		<b>118,000</b>		<b>120,000</b>		<b>123,000</b>		<b>125,000</b>		<b>569,000</b>

## Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:

### BUSINESS AND OCCUPATION TAX:

Washington levies the business and occupation (B&O) tax on gross income from Washington-based business activity. The tax rate varies by classification.

For retailing activities, the tax rate is 0.471%.

### RETAIL SALES AND USE TAXES:

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use tax applies to the value of property, digital product or service when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5%; local sales and use tax rates vary from 0.5% to 3.0%, depending on the location.

Motor vehicle sales are exempt from the public safety component of the local retail sales tax.



# Ten-Year Analysis

<b>Bill Number</b> 5663 SB	<b>Title</b> Abandoned vehicles sold at auction	<b>Agency</b> 140 Department of Revenue
-------------------------------	--	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

### MOTOR VEHICLE SALES/LEASES TAX:

Under the motor vehicle sales/leases tax, sellers must collect an additional sales tax of 0.3% of the selling price of each motor vehicle. If a seller does not collect the sales tax, then a buyer must pay an additional use tax of 0.3% when registering the vehicle with the Department of Licensing.

### TOW TRUCK OPERATORS:

A tow truck operator (operator) may apply a lien against the sale of an abandoned vehicle in the amount of charges for towing and storage plus the associated retail sales tax. It must try to make the sale via public auction. If there is no successful bidder, it must sell the vehicle to a licensed vehicle wrecker, hulk hauler or scrap processor.

This sale has tax implications for two separate transactions:

- towing and storage charges
- sale of the vehicle

Transaction 1 - Towing and storage charges: Income received for automobile towing and storage services is subject to the retailing B&O tax and the retail sales tax.

When sale proceeds are less than the lien, an operator may back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

When the sale proceeds are greater than the lien, an operator may not back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

Transaction 2 - Sale of the vehicle: The sale of an abandoned vehicle is excluded from the definition of a "sale" under state law. As a result, the transaction is not subject the retail sales tax, retailing B&O tax or the motor vehicle sales/leases tax. However, the transaction is subject to the B&O tax under the service/other classification. As an operator may deduct the full sales amount, no B&O tax is due.

If the buyer is a consumer, the purchase is still subject to the use tax and the motor vehicle sales/leases tax, which are collected by the Department of Licensing (DOL) when the buyer registers the vehicle.

Surplus funds: When the proceeds of an auction sale exceed the amount necessary to satisfy the towing and storage lien (and the applicable retail sales tax), this results surplus funds. An operator must remit these to the DOL.

### PROPOSAL:



# Ten-Year Analysis

Bill Number	Title	Agency
5663 SB	Abandoned vehicles sold at auction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

Gross proceeds from the sale of an abandoned vehicle are not taxed as the sale of towing and storage services.

The sale of an abandoned vehicle is included in the definition of a “sale.” As a result, the transaction is subject to the retail sales tax, the motor vehicle sales/leases tax and the retailing B&O tax.

For the retail sales tax and the retailing B&O tax, an operator may deduct from the taxable amount any surplus funds.

If the buyer is a consumer, any portion of the sales price in excess of the lien is still subject to the use tax, which is collected by the Department of Licensing when the buyer registers the vehicle.

The new tax preference performance provisions do not apply to this bill (see section 4 of the bill).

### EFFECTIVE DATE:

This bill takes effect on January 1, 2024.

### ASSUMPTIONS:

- The average cost for towing and storage charges was \$1,340 in 2022.
- The average price for each abandoned vehicle with a sales price below the lien was \$125 in 2017.
- Annual growth in charges for towing and storage mirrors the Economic and Revenue Forecast Council forecast for the Seattle consumer price index, urban.
- We derived annual growth rates for the following from the Department of Licensing forecast for abandoned vehicles:
  - sales price for a vehicle with a sales price below the lien
  - number of abandoned vehicle sales
- Currently, tribes with compacts receive a share of state sales and use tax (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.

### DATA SOURCES:

- City of Seattle. Max towing fees: Private property impounds. Retrieved February 9, 2023 from <https://www.seattle.gov/your-rights-as-a-customer/find-a-towed-car/max-towing-fees-private-property-impounds>
- Department of Licensing, Abandoned vehicle forecast, November 2022
- Department of Licensing, Tow truck affidavit of sale data



# Ten-Year Analysis

Bill Number	Title	Agency
5663 SB	Abandoned vehicles sold at auction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

- Economic and Revenue Forecast Council, November 2022 forecast

### REVENUE ESTIMATES

This bill increases state revenues by an estimated \$13,000 in the five months of impacted collections in fiscal year 2024, and by \$30,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$9,000 in the five months of impacted collections in fiscal year 2024, and by \$21,000 in fiscal year 2025, the first full year of impacted collections.

### STATE GOVERNMENT IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ 13  
 FY 2025 - \$ 30  
 FY 2026 - \$ 30  
 FY 2027 - \$ 30  
 FY 2028 - \$ 31  
 FY 2029 - \$ 30

Local Government, if applicable (cash basis, \$000):

FY 2024 - (\$ 9)  
 FY 2025 - (\$ 21)  
 FY 2026 - (\$ 21)  
 FY 2027 - (\$ 21)  
 FY 2028 - (\$ 22)  
 FY 2029 - (\$ 22)

Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 2/13/2023 6:52:45 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 2/13/2023 6:52:45 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 5663 SB	<b>Title</b> Abandoned vehicles sold at auction	<b>Agency</b> 240 Department of Licensing
-------------------------------	--	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                 
  **Partially Indeterminate Cash Receipts**
                 
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Abandoned vehicle fees	108	54,000	117,900	122,200	121,200	124,500	127,700	130,300	132,500	135,400	138,300	1,204,000
<b>Total</b>		<b>54,000</b>	<b>117,900</b>	<b>122,200</b>	<b>121,200</b>	<b>124,500</b>	<b>127,700</b>	<b>130,300</b>	<b>132,500</b>	<b>135,400</b>	<b>138,300</b>	<b>1,204,000</b>
<b>Biennial Totals</b>		<b>171,900</b>	<b>243,400</b>	<b>252,200</b>	<b>262,800</b>	<b>273,700</b>	<b>1,204,000</b>					

## Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill sets new requirements for the sale of abandoned vehicles by RTTO's:

- Gross proceeds are subject to tax as the sale of tangible personal property
- Requires RTTOs to collect applicable taxes when selling abandoned vehicles at a public auction, or to a licensed vehicle wrecker, hulk hauler, or scrap processor

Surplus funds are collected to their own specific revenue account code (RAC) within fund 108 (vehicles).

Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 2/14/2023 12:58:22 pm
Agency Approval: Gerrit Eades	Phone: (360)902-3863	Date: 2/14/2023 12:58:22 pm
OFM Review:	Phone:	Date: