

Multiple Agency Fiscal Note Summary

Bill Number: 5663 2S SB	Title: Abandoned vehicle auctions
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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	(390,000)	(390,000)	(390,000)	(1,927,000)	(1,927,000)	(1,931,000)	(1,970,000)	(1,970,000)	(1,974,000)
Total \$	(390,000)	(390,000)	(390,000)	(1,927,000)	(1,927,000)	(1,931,000)	(1,970,000)	(1,970,000)	(1,974,000)

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		(180,180)		(888,030)		(907,830)
Local Gov. Total		(180,180)		(888,030)		(907,830)

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	.2	50,000	50,000	50,000	.0	0	0	0	.0	0	0	0
Department of Licensing	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.2	50,000	50,000	50,000	0.0	0	0	0	0.0	0	0	0

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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Prepared by: Amy Hatfield, OFM

Phone:
(360) 280-7584

Date Published:
Final 3/ 5/2024

Department of Revenue Fiscal Note

Bill Number: 5663 2S SB	Title: Abandoned vehicle auctions	Agency: 140-Department of Revenue
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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		(400,000)	(400,000)	(1,973,000)	(2,017,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		10,000	10,000	46,000	47,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax				(4,000)	(4,000)
Total \$		(390,000)	(390,000)	(1,931,000)	(1,974,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2		
GF-STATE-State 001-1		50,000	50,000		
Total \$		50,000	50,000		

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:	Phone:	Date: 02/26/2024
Agency Preparation: Sara del Moral	Phone: (60) 534-1525	Date: 02/27/2024
Agency Approval: Valerie Torres	Phone: (60) 534-1521	Date: 02/27/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/28/2024

Request # 5663-4-1

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.

Note: This fiscal note reflects language in 2SSB 5663, 2024 Legislative Session.

COMPARISON OF THE SECOND SUBSTITUTE BILL WITH THE SUBSTITUTE BILL:

The changes in the second substitute bill do not impact the department.

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%.

A wholesale sale means selling tangible personal property to a business that will resell it in the regular course of business. For wholesaling activities, the tax rate is 0.484%.

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 apply to the value of the property, digital product, or service when used in Washington. 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, a buyer must pay an additional use tax of 0.3% when registering the vehicle with the Department of Licensing (DOL).

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. 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 exceed 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.

In either case, an operator uses a portion of the sales proceeds to pay the retail sales tax instead of charging the buyer.

Transaction 2 - Sale of the vehicle: The definition of a “sale” excludes the sale of an abandoned vehicle. As a result, the transaction is not subject to the retail sales tax, B&O tax (retailing or wholesaling classifications), 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 the DOL collects 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, 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.

Under this bill, the definition of a sale will include the sale of an abandoned vehicle. As a result, when a business purchases an abandoned vehicle at wholesale, wholesaling B&O tax applies. When a consumer purchases an abandoned vehicle at retail, retail sales tax, the motor vehicle sales/leases tax, and the retailing B&O tax will all apply.

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

The new tax preference performance provisions do not apply to this bill (see section 5 of the bill).

EFFECTIVE DATE:

This bill takes effect on January 1, 2025.

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 \$1,481 in 2023.
- The average price for each abandoned vehicle with a sales price below the lien was \$125 in 2017.
- Licensed vehicle wreckers, hulk haulers, and scrap processors purchase at wholesale 89% of abandoned vehicles sold by tow operators.
- 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 DOL 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
- Department of Licensing, Abandoned vehicle forecast, February 2024
- Department of Licensing, Tow truck affidavit of sale data
- Economic and Revenue Forecast Council, November 2023 forecast

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$390,000 in the five months of impacted collections in fiscal year 2025, and by \$962,000 in fiscal year 2026, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$182,000 in the five months of impacted collections in fiscal year 2025, and by \$447,000 in fiscal year 2026, the first full year of impacted collections.

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 390)
FY 2026 -	(\$ 962)
FY 2027 -	(\$ 969)
FY 2028 -	(\$ 979)
FY 2029 -	(\$ 995)

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

FY 2024 -	\$ 0
FY 2025 -	(\$ 182)
FY 2026 -	(\$ 447)
FY 2027 -	(\$ 450)
FY 2028 -	(\$ 455)
FY 2029 -	(\$ 462)

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 approximately 355 taxpayers.

FIRST YEAR COSTS:

The department will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$50,000 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 0.38 FTE.
- Amend two excise tax advisories (ETA).
 - Create a Special Notice and update information on the department’s website.
 - 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.
 - Examine accounts and make corrections as necessary.

Object Costs - \$6,800.

- Computer system changes, including contract programming.

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		0.4	0.2		
A-Salaries and Wages		26,800	26,800		
B-Employee Benefits		8,900	8,900		
C-Professional Service Contracts		6,800	6,800		
E-Goods and Other Services		5,100	5,100		
J-Capital Outlays		2,400	2,400		
Total \$		\$50,000	\$50,000		

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	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 2	58,104		0.1	0.1		
IT B A-JOURNEY	91,968		0.1	0.1		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.1	0.0		
TAX POLICY SP 3	88,416		0.1	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			0.4	0.2		

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

Bill Number: 5663 2S SB	Title: Abandoned vehicle auctions	Agency: 240-Department of Licensing
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

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: 02/26/2024
Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 02/28/2024
Agency Approval: Collin Ashley	Phone: (564) 669-9190	Date: 02/28/2024
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 02/28/2024

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.

This bill sets new requirements for the sale of abandoned vehicles by Registered Tow Truck Operators, (RTTO).

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. This bill has no requirements or obligations placed upon the agency as Registered Tow Truck Operators collect the proposed tax.

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.

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5663 2S SB	Title: Abandoned vehicle auctions
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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:

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		(53,189)	(53,189)	(262,147)	(267,992)
County		(67,784)	(67,784)	(334,077)	(341,525)
Special District		(59,207)	(59,207)	(291,806)	(298,313)
TOTAL \$		(180,180)	(180,180)	(888,030)	(907,830)
GRAND TOTAL \$					(1,976,040)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 03/05/2024
Leg. Committee Contact:	Phone:	Date: 02/26/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/05/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/05/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

- adds intent language specifying that licensed auto wreckers, scrap processors, and hulk haulers generally make wholesale purchases of abandoned vehicles from registered tow truck operators and therefore would not owe sales tax on the purchase of abandoned vehicles
- updates the effective date to January 1, 2025

SUMMARY OF CURRENT BILL:

This bill would modify the excise taxation of abandoned vehicles sold at auction by a tow truck operator.

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.

CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The changes in the substitute version do not create any new fiscal impacts to local government expenditures.

EXPENDITURE IMPACTS OF CURRENT BILL:

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.

CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The changes in the substitute version do not create any new fiscal impacts to local government revenue.

REVENUE IMPACTS OF CURRENT BILL:

According to the Department of Revenue (DOR) this bill decreases local revenues by an estimated \$182,000 in the five months of impacted collections in fiscal year 2025, and by \$447,000 in fiscal year 2026, the first full year of impacted collections. Please see the DOR fiscal note for all their assumptions and data sources.

LOCAL GOVERNMENT LOSS BREAKDOWN

Counties:

FY 2024	\$0
FY 2025	-\$67,784
FY 2026	-\$166,480
FY 2027	-\$167,597
FY 2028	-\$169,459
FY 2029	-\$172,066

Cities:

FY 2024	\$0
FY 2025	-\$53,189

FY 2026	-\$130,635
FY 2027	-\$131,512
FY 2028	-\$132,973
FY 2029	-\$135,019

Special Districts:

FY 2024	\$0
FY 2025	-\$59,207
FY 2026	-\$145,415
FY 2027	-\$146,391
FY 2028	-\$148,018
FY 2029	-\$150,295

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 2022. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 37.62 percent to counties, 29.52 percent to cities, and 32.86 percent to special districts. The one percent DOR administrative fee has also been deducted.

SOURCES:

Department of Revenue fiscal note, 2SSB 5663 (2024)
Department of Revenue Local Tax Distributions (2022)
Local Government Fiscal Note program, Local Sales Tax model (2024)
Local Government Fiscal Note program, Sales and Use Tax Distribution model (2024)
Senate Bill Report, SB 5663, Ways and Means Committee (2/23/2024)



Multiple Agency Ten-Year Analysis Summary

Bill Number 5663 2S SB	Title Abandoned vehicle auctions
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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	0	-390,000	-962,000	-969,000	-979,000	-995,000	-1,009,000	-1,025,000	-1,035,000	-1,046,000	-8,410,000
Department of Licensing	0	0	0	0	0	0	0	0	0	0	0
Total	0	-390,000	-962,000	-969,000	-979,000	-995,000	-1,009,000	-1,025,000	-1,035,000	-1,046,000	-8,410,000



Ten-Year Analysis

Bill Number 5663 2S SB	Title Abandoned vehicle auctions	Agency 140 Department of Revenue
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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		10,000	23,000	23,000	23,000	24,000	24,000	24,000	24,000	24,000	199,000
Retail sales tax	001		(400,000)	(983,000)	(990,000)	(1,000,000)	(1,017,000)	(1,031,000)	(1,047,000)	(1,057,000)	(1,068,000)	(8,593,000)
Retail sales tax	553			(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(16,000)
Total Retail sales tax			(400,000)	(985,000)	(992,000)	(1,002,000)	(1,019,000)	(1,033,000)	(1,049,000)	(1,059,000)	(1,070,000)	(8,609,000)
Total			(390,000)	(962,000)	(969,000)	(979,000)	(995,000)	(1,009,000)	(1,025,000)	(1,035,000)	(1,046,000)	(8,410,000)
Biennial Totals			(390,000)	(1,931,000)	(1,974,000)	(2,034,000)	(2,081,000)	(8,410,000)				

Narrative Explanation (Required for Indeterminate Cash Receipts)

Note: This fiscal note reflects language in 2SSB 5663, 2024 Legislative Session.

COMPARISON OF THE SECOND SUBSTITUTE BILL WITH THE SUBSTITUTE BILL:

The changes in the second substitute bill do not impact the department.

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.



Ten-Year Analysis

Bill Number	Title	Agency
5663 2S SB	Abandoned vehicle auctions	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)

For retailing activities, the tax rate is 0.471%.

A wholesale sale means selling tangible personal property to a business that will resell it in the regular course of business. For wholesaling activities, the tax rate is 0.484

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 apply to the value of the property, digital product, or service when used in Washington. 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, a buyer must pay an additional use tax of 0.3% when registering the vehicle with the Department of Licensing (DOL).

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. 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 exceed 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.



Ten-Year Analysis

Bill Number	Title	Agency
5663 2S SB	Abandoned vehicle auctions	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)

In either case, an operator uses a portion of the sales proceeds to pay the retail sales tax instead of charging the buyer.

Transaction 2 - Sale of the vehicle: The definition of a “sale” excludes the sale of an abandoned vehicle. As a result, the transaction is not subject to the retail sales tax, B&O tax (retailing or wholesaling classifications), 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 the DOL collects 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, 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.

Under this bill, the definition of a sale will include the sale of an abandoned vehicle. As a result, when a business purchases an abandoned vehicle at wholesale, wholesa B&O tax applies. When a consumer purchases an abandoned vehicle at retail, retail sales tax, the motor vehicle sales/leases tax, and the retailing B&O tax will all apply.

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

The new tax preference performance provisions do not apply to this bill (see section 5 of the bill).

EFFECTIVE DATE:

This bill takes effect on January 1, 2025.

ASSUMPTIONS:

- The average cost for towing and storage charges was \$1,481 in 2023.
- The average price for each abandoned vehicle with a sales price below the lien was \$125 in 2017.



Ten-Year Analysis

Bill Number	Title	Agency
5663 2S SB	Abandoned vehicle auctions	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)

- Licensed vehicle wreckers, hulk haulers, and scrap processors purchase at wholesale 89% of abandoned vehicles sold by tow operators.
- 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 DOL 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
- Department of Licensing, Abandoned vehicle forecast, February 2024
- Department of Licensing, Tow truck affidavit of sale data
- Economic and Revenue Forecast Council, November 2023 forecast

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$390,000 in the five months of impacted collections in fiscal year 2025, and by \$962,000 in fiscal year 2026, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$182,000 in the five months of impacted collections in fiscal year 2025, and by \$447,000 in fiscal year 2026, the first full year of impacted collections.

State Government (cash basis, \$000):

FY 2024 - \$ 0
 FY 2025 - (\$ 390)
 FY 2026 - (\$ 962)
 FY 2027 - (\$ 969)
 FY 2028 - (\$ 979)
 FY 2029 - (\$ 995)

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

FY 2024 - \$ 0
 FY 2025 - (\$ 182)



Ten-Year Analysis

Bill Number 5663 2S SB	Title Abandoned vehicle auctions	Agency 140 Department of Revenue
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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)

FY 2026 - (\$ 447)
FY 2027 - (\$ 450)
FY 2028 - (\$ 455)
FY 2029 - (\$ 462)

Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 2/27/2024 5:55:01 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 2/27/2024 5:55:01 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 5663 2S SB	Title Abandoned vehicle auctions	Agency 240 Department of Licensing
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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

Name of Tax or Fee	Acct Code												
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Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 2/28/2024 2:12:33 pm
Agency Approval: Collin Ashley	Phone: (564) 669-9190	Date: 2/28/2024 2:12:33 pm
OFM Review:	Phone:	Date: