



STATE OF WASHINGTON  
DEPARTMENT OF REVENUE

January 23, 2004

TO: Interested Taxpayers  
FROM: Washington Department of Revenue, Taxpayer Services Division  
SUBJECT: Motor Vehicle Sales and Use Tax Rate Increase

In June 2003, you were sent a Special Notice on the additional Motor Vehicle Sales and Use Tax effective July 1, 2003. The notice explained that the sales and use tax increase of three-tenths of one percent (0.3%) applies to every retail sale, rental, or lease of a motor vehicle in this state, with some exceptions.

There has been some confusion with regard to how the motor vehicle tax applies to rentals/leases of passenger cars and other motor vehicles.

The enclosed version of the Special Notice (published in June of 2003) is being sent to help clarify which motor vehicle rentals/leases are subject to the additional tax on motor vehicles and which are subject to the rental car tax. No motor vehicle rental/lease is subject to both.

#### **Passenger Car Rentals/Leases**

RCW 46.04.382 defines "Passenger car" as every motor vehicle, except motorcycles and motor-driven cycles, designed for carrying ten passengers or less and used for the transportation of persons.

- Passenger car rentals of **30 days or less** are subject to the rental car tax under RCW 82.08.020 (2). Passenger car rentals that are subject to the rental car tax are **not** subject to the additional 0.3% motor vehicle sales or use tax.
- Passenger car rentals/leases of **more than 30 days** are subject to the additional 0.3% motor vehicle sales or use tax. The rental car tax does not apply.

#### **Other Motor Vehicles Rentals/Leases**

Short-term and long-term rentals/leases of motor vehicles that are not defined as passenger cars, *including moving vans, trucks, buses, etc.*, are subject to the additional 0.3% motor vehicle sales or use tax. These rentals/leases are not subject to the rental car tax.

Please retain the enclosed Special Notice and this letter for future reference.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.

# SPECIAL NOTICE

June 17, 2003

For further information contact:  
Telephone Information Center  
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342  
Teletype 1-800-451-7985

## Motor Vehicle Sales and Use Tax Rate Increase

Engrossed Substitute House Bill (ESHB) 2231 (Chapter 361, Laws of 2003) imposes an **additional** tax of three-tenths of one percent (0.3%) on motor vehicles.

### What does this mean?

Effective July 1, 2003, motor vehicle dealers and motor vehicle leasing companies must collect the additional sales tax of three-tenths of one percent (0.3%) of the selling price on every retail sale, rental or lease of a motor vehicle in this state.

For Washington retailers, the difference this bill makes is that the rate of sales tax will be higher for sales, rentals, or leases of motor vehicles. Exemptions from the retail sales tax have not changed.

### Which sales are subject to the additional tax?

Each retail sale, rental, or lease of a "motor vehicle" is subject to the additional tax. "Motor vehicle" means every vehicle that is self-propelled as described in RCW 46.04.320, but does not include farm tractors, farm vehicles, off-road vehicles, non-highway vehicles, and snowmobiles. Generally, this means that motor vehicles licensed for on-road use are subject to the additional tax.

The additional tax applies to sales, rentals and leases of motor vehicles including:

- ◆ passenger cars,
- ◆ sports utility vehicles (SUVs),
- ◆ pickup trucks,
- ◆ commercial trucks,
- ◆ recreational vehicles (RVs),
- ◆ motorcycles, and
- ◆ buses.

(more)



The additional tax also applies to charges for all extra features added to the vehicle prior to delivery to the buyer or lessee. For example, the charge for a tow hitch added to a vehicle prior to delivery is subject to the additional sales tax.

### **Which sales are NOT subject to the ADDITIONAL tax?**

**Note:** Unless a specific exemption applies, these sales remain subject to the regular sales tax.

- ◆ Retail car rentals that are subject to the rental car tax under RCW 82.08.020 (2),
- ◆ Amounts charged to the vehicle owner for post-sale/delivery equipment and installation,
- ◆ Sales of trailers,
- ◆ Amounts charged for repairs of motor vehicles,
- ◆ Sales of motor vehicles that are not subject to sales tax (e.g. sales to carriers engaged in interstate commerce, sales to the US Government, etc.).

### **How is this tax reported?**

Department of Revenue tax returns for periods after June 30, 2003 will contain a separate line to report the additional tax on motor vehicles (Line 25 entitled *Motor Vehicle Sale/Lease Tax*). The regular sales tax is to be reported in the same manner as before this additional tax.

### **What about use tax?**

The additional tax of three-tenths of one percent (0.3%) on motor vehicles also applies when use tax is due on a vehicle. Use tax applies at the time a vehicle is registered with the Department of Licensing if sales tax was not paid at the time the vehicle was acquired by the current owner. This would happen if a vehicle was purchased from a private party or if it was purchased outside of Washington.

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**Important Information on  
Motor Vehicle Sales and Use Tax Rate Increase  
Enclosed**



Washington State Department of Revenue