

# Repeal sales tax exemption for trade-ins valued over \$10,000

**Description** This proposal would limit the exclusion of trade-in value from retail sales and use tax to \$10,000 for motor vehicles, recreational vehicles, boats and other items.

**Current Law** When a consumer purchases tangible personal property, the measure of sales or use tax excludes the value of like-kind property traded in at the time of sale. Consequently, the trade-in value is deducted from the selling price that is subject to sales tax. (RCW 82.08.010(1) and 82.12.010(1))

**Original Purpose and Current Analysis** The trade-in exclusion was approved by voter initiative in 1984 to encourage purchases of new items, especially motor vehicles.

Trade-ins of motor vehicles average \$7,500, so limiting deductible trade-in values to \$10,000 benefits most households. The current unlimited deduction primarily benefits high-income purchasers with the lowest tax burdens in Washington. Setting a limit would reduce the regressivity of the current tax system.

**Citizen Commission Recommendation** The Citizen Commission has not reviewed the trade-in exclusion.

**Revenue Impact**

General Fund Impacts (\$ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
85,000	\$48.4	\$57.0	\$105.3	\$61.6	\$66.4	\$128.0

- Estimates assume a July 1, 2015, effective date, representing 11 months of collections for FY 2016.
- Estimates reflect the November 2014 Economic and Revenue Forecast Council revenue forecast.