

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Car Sharing Organizations

The purpose of this excise tax advisory is to clarify the proper tax treatment of “carsharing” organizations.

Background

Carsharing is a system in which a fleet of cars (or other vehicles) is made available for use by members of the carshare group in a wide variety of ways. The costs and the administration of vehicle purchases, ownership, and maintenance are the responsibility of a central organizer (the Carshare Operator or CSO).

While differing in their objectives, size, and business models, these programs share many features. Generally, the organizations require a joining fee and monthly or annual fees or dues in order to become a member. A vehicle is reserved in advance, usually over the Internet or telephone. Most organizations or CSOs charge an hourly fee for the time that the car is in use, plus a fee per mile driven. Some CSOs offer a discounted all-day rate for their cars. A penalty is charged if a vehicle is not returned at the scheduled time.

Carsharing differs from traditional car rentals in the following ways:

- Vehicles can be rented by the hour, as well as by the day.
- Self-service reservation, pickup, and return.
- Users are members and have been pre-approved to drive.
- Vehicle locations are distributed throughout the service area.
- Insurance costs are included in the rates.
- Fuel paid for on company credit.
- Members are penalized if vehicles are not returned on time, in the agreed parking area, clean, and fueled for the next user.

All ETAs were cancelled on February , 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.

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Retail Sales Tax and Rental Car Tax

Carsharing organizations are providing “rental cars” and are required to collect the rental car tax along with the retail sales tax from their members/customers. In addition, charges for renting cars are subject to the business and occupation (B&O) tax under the retailing classification. Revised Code of Washington (RCW) 46.04.465 defines “rental car” as follows:

“Rental car” means a passenger car, as defined in RCW 46.04.382, that is used solely by a rental car business for rental to others, without a driver provided by the rental car business, for periods of not more than thirty consecutive days.

A passenger car is defined in RCW 46.04.382 as follows:

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

The rental car tax and sales tax apply to all charges that are part of the rental price. Charges that are considered part of the rental price include (but are not limited to):

- Hourly usage fees
- Mileage fees
- Reservation fees
- Late return fees
- Failure to refuel fees

See RCW 82.08.010’s definition of “selling price” and WAC 458-20-211 for additional information regarding the measure of tax when property is rented under circumstances that the consideration paid does not represent a reasonable rental value.

Initiation Fees and Membership Dues

RCW 82.04.4282 provides a B&O tax deduction for bona fide initiation fees and membership dues. Bona fide initiation fees and membership dues are those amounts paid to join or continue membership in a club or organization solely for the right to associate with other members or to support the organization’s goals. Amounts paid to receive goods or services in the future do not constitute bona fide initiation fees or membership dues.

When the fees and dues are paid for the **opportunity** to rent cars in the future, the charges are subject to tax under the service and other activities classification of the B&O tax.

When the fees and dues are paid to actually rent a car, the charges are subject to retailing B&O tax, sales tax, and rental car tax. For example, the taxes would apply if the initiation fees or membership dues

- allow members a certain number of rental car hours for no additional charge;
- are applied against future car rentals; or
- are graduated upon the amount of goods or services rendered.

Nonprofit Organizations

Nonprofit organizations, even though they may be exempt from federal taxes, are not generally exempt from Washington state and local taxes. Unless a nonprofit organization qualifies for a specific exemption, it is required to pay taxes in the same manner as other entities. Generally, if a nonprofit organization conducts taxable business activities in Washington, it must register to do business within the state.
