

# Use Tax Facts for Vehicle Transactions

Washington residents have the responsibility under Revised Code of Washington (RCW) 82.12 and Washington Administrative Code (WAC) 458-20-178 to pay Use Tax on the purchase of a vehicle when Retail Sales Tax has not been paid, or where an exemption is not available. Use Tax is calculated at the same rate as Retail Sales Tax and is usually paid to the Department of Licensing (DOL) when the vehicle title is transferred.

## How is use tax determined?

Use Tax is calculated by multiplying the fair market value (FMV) of the vehicle by the use tax rate. The FMV is determined as nearly as possible according to the retail selling price of similar vehicles in the same condition.

When the purchase price reflects the FMV of a vehicle, Use Tax is based on what you paid.

The purchase price is accepted as the vehicle's value if the purchase price is no more than 20% below the fair market value, or the fair market value is less than \$7,500 ([WAC 458-20-17802](#)).

## What if my car is worth less than fair market value?

If you believe the purchase price on your bill of sale represents the true value of the vehicle after its condition is considered, then Use Tax can be calculated on the purchase price. Documentation will be required.

To document a lower value, you can provide one of the following:

- A retail value from an industry-accepted pricing guide, such as NADA, Kelley Blue Book (KBB), or Hagerty for the same year, make, model and condition as your vehicle. Copies from a printed publication or web page are acceptable.
- A repair estimate(s) prepared by a registered auto repair business. Estimates must include Vehicle Identification Number (VIN) and an itemized list of repairs needed to bring the vehicle to average working condition. The estimate must be printed on the business letterhead or a business card should be attached.
- A written appraisal prepared by an automobile dealer, insurance company, or other business registered to provide vehicle appraisals. The appraisal must include the VIN. The estimate must be printed on the business letterhead or a business card should be attached.

### Example 1 - Vehicle purchase price within 20% of fair market value

Fair market value:	\$20,000
Purchase price:	\$17,000
Difference:	\$3,000

Purchase price is within 20% (\$4,000) of fair market value, so use tax is based on purchase price. At a tax rate of 9%, the use tax on \$17,000 would be \$1,530.

**Example 2** - Vehicle purchase price is more than 20% below fair market value

Fair market value:	\$15,000
Purchase price:	\$11,000
Difference:	\$4,000

Purchase price is more than 20% (\$3,000) below fair market value, so use tax is based on fair market value unless the buyer can demonstrate the vehicle value is only \$11,000. At a tax rate of 9%, the use tax on \$15,000 would be \$1,350. However, if it is determined the value of the vehicle is \$11,000 based on its condition; the use tax rate at 9% would be \$990.

**Example 3** - Vehicle fair market value below \$7,500

Fair market value:	\$6,900
Purchase price:	\$1,000

Fair market value is less than \$7,500 so use tax is based on the purchase price on the bill of sale. At a tax rate of 9% the use tax on \$1,000 would be \$90.

**Gifts or Inheritance**

When you receive a vehicle by gift or inheritance, your vehicle is exempt from tax if the previous owner paid Washington Retail Sales Tax or Use Tax and there is no consideration given.

If the vehicle being gifted was registered in another state, credit will be given for tax previously paid.

Vehicles gifted or inherited with outstanding loans generally will not qualify for a gift exemption. When you receive a vehicle with a loan, the vehicle title will reflect a lienholder and it is not owned outright. The Registered Owner is responsible for any financial encumbrance and must pay off the loan prior to gifting the vehicle or it is considered a sale - and tax will be due on the fair market value.

**Clean alternative fuel and plug-in vehicles (expires 07/31/25)**

There is a limited Use Tax exemption for purchases of new and used passenger cars, light duty trucks, or medium duty passenger vehicles that are exclusively powered by a clean alternative fuel, or a plug-in hybrid that can travel at least 30 miles on battery power alone.

To be eligible for the exemption, the total selling price of a qualifying new vehicle cannot exceed \$45,000 and the fair market value of a qualifying used vehicle cannot exceed \$30,000 ([WAC 458-20-279](#)).

A current list of qualifying vehicles can be found at [www.dol.wa.gov](http://www.dol.wa.gov).