

Trade-in Values

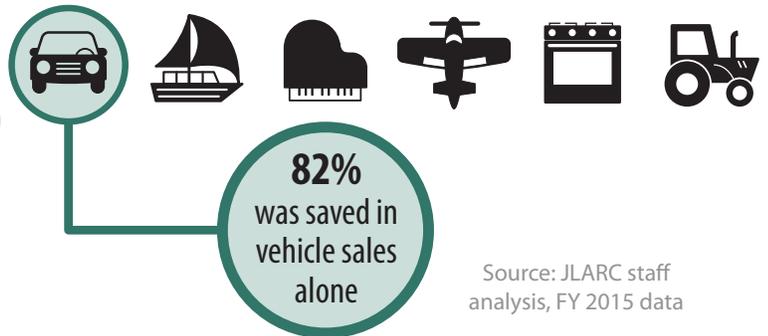
JULY 2016

Inferred Objectives	Results
Reduce the amount of taxes paid	Achieved
Stimulate sales to offset loss of revenue	Unmet
Make WA consistent with other states	Achieved

Consumers saved \$239M in sales/use tax by trading in like items (FY 2015 data)

A trade-in reduces the sale price of a like item (e.g., a car for a car). Consumers pay tax on the lower price.

Many items are eligible for trade-in credit:



Source: JLARC staff analysis, FY 2015 data

Lost revenue not offset by taxes on additional vehicle sales

The preference causes overall \$182M decrease in sales tax revenue

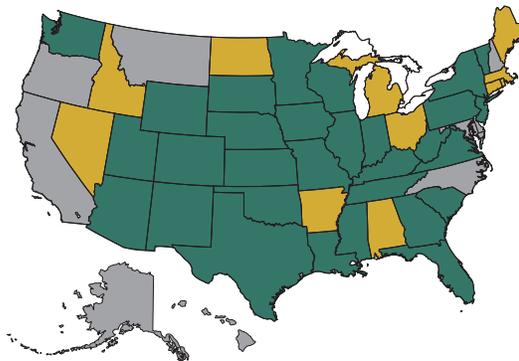


JLARC estimate of savings for FY16 based on auto sales and taxes.

\$31M

Possible \$31M increase in revenue from additional sales not enough to offset losses

41 states offer similar exemptions



30 have broad exemptions like WA

Any like-property can be traded in

11 are more restrictive

Only some property can be traded in (e.g., trade-in on new cars only)

Others

Either no sales tax or no exemption

RECOMMENDATION: The Legislature should review and clarify this preference. The preference reduces consumers' taxes and is consistent with other states. While it may stimulate some additional sales, these sales do not replace the revenue lost due to the tax preference.

For more information, contact:

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The complete report is at citizentaxpref.wa.gov.