

# SENATE BILL REPORT

## SHB 1639

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As of March 31, 1995

**Title:** An act relating to a use tax exemption for vessel manufacturers and dealers.

**Brief Description:** Exempting vessel manufacturers and dealers from the use tax.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives B. Thomas, Van Luven, Morris, Horn, Campbell, Kremen and Sheldon).

**Brief History:**

**Committee Activity:** Ways & Means: 4/3/95.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7715)

**Background:** The retail sales tax is imposed on sales of most articles of tangible personal property and some services. The use tax is imposed on the use of articles of tangible personal property when the sale of the property was not subject to sales tax. The use tax applies when property is acquired from out of state. It also applies when property is acquired from an in-state person who does not collect sales tax.

The use tax does not apply to the display of inventory by a seller. However, if a seller purchases property without paying retail sales tax and uses the property as a demonstrator, for personal use, or for any purpose other than display as inventory for sale, the use tax applies even if the property is later sold.

**Summary of Bill:** Manufacturers and dealers of watercraft vessels are exempt from use tax when a vessel or vessel trailer is used for the following purposes, as defined in the bill: testing, training, sales promotion, loaning to nonprofit organization for up to 72 hours, displaying or demonstrating at a show, delivery to a buyer or person involved in manufacture or sale of the vessel, and demonstration to a potential buyer. If the manufacturer or dealer uses the vessel for personal use, the use tax is based on the reasonable rental value of the vessel used, but only if the vessel is truly held for sale.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.