

# HOUSE BILL REPORT

## SSB 5721

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**As Passed House**

April 9, 1997

**Title:** An act relating to sales and use tax exemptions for vessels used in bare-boat charter businesses.

**Brief Description:** Providing tax exemptions for bare-boat charters.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Anderson, Spanel and McDonald).

**Brief History:**

**Floor Activity:**

Passed House: 4/9/97, 67-30

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**Staff:** Pam Madson (786-7166).

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

The basis of a retail sale is the use of the product or receipt of the service by the purchaser who is the consumer. All transactions involving the purchase of real or tangible personal property are considered retail sales, unless the seller receives a resale certificate from the buyer. A resale certificate allows the buyer to make the purchase exempt from sales tax. There is a 50 percent penalty for misuse of the certificate.

A bare-boat charter is a boat that is chartered to interested parties without the owner of the boat providing a captain. The owner of such a boat does not pay sales tax on the purchase of the boat because the owner is considered to be buying the boat for resale. Sales tax is due on the rental price of the charters.

A bare-boat charter owner becomes fully taxable when the vessel is used for personal use.

**Summary of Bill:** A sales and use tax exemption is provided for the purchase of vessels for use as bare boat charters. A bare boat charter business is one where the vessel is rented primarily to persons other than the owner.

The rental of the vessel by others is subject to retail sales tax.

The owner of the vessel is exempt from use tax on the "personal use" of the vessel as long as such use does not exceed five days per year.

The owner may use the boat for personal use if the owner pays use tax on the rental value of the boat.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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