

SENATE BILL REPORT

SB 5721

As Reported By Senate Committee On:
Ways & Means, March 27, 1997

Title: An act relating to bare-boat charters.

Brief Description: Allowing bare-boat charters.

Sponsors: Senators Anderson, Spanel and McDonald.

Brief History:

Committee Activity: Ways & Means: 3/5/97, 3/27/97 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5721 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, McDonald, Roach, Rossi, Sheldon, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

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 Substitute 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.

Substitute Bill Compared to Original Bill: The substitute bill allows for the personal use of the boat as long as tax is paid on the fair rental value. Originally, the bill allowed tax free personal use for two weeks or 10 percent of rental days and no personal use beyond that time.

Appropriation: None.

Fiscal Note: Available.

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