

SENATE BILL REPORT

SSB 6500

As Passed Senate, February 27, 2006

Title: An act relating to the sales and use taxation of vessels.

Brief Description: Modifying the sales and use taxation of vessels.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Haugen, McCaslin, Doumit, Benson, Shin, Esser and Jacobsen).

Brief History:

Committee Activity: Ways & Means: 2/1/06, 2/6/06 [DPS].

Passed Senate: 2/27/06, 46-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6500 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Nonresidents of this state may purchase a vessel for use outside of the state exempt of the retail sales tax, but only when the vessel will not be used in the state for more than 45 days.

Vessels that are validly registered in another state, but brought into this state for principle use, must be registered in this state within 60 days. However, vessels owned by a nonresident that are registered under the laws of another state are not required to register their vessel if the vessel is within Washington and is intended to be kept there for less than six months (180 days). For the first 60 days, vessels owned by a nonresident brought into the state for his or her use or enjoyment are not required to obtain a permit. After the first 60 days, the vessel owner must apply for a temporary permit which is valid for two months (60 days). The temporary permit may be renewed once for another two-month (60 day) period.

Vessels that are in this state longer than the time limits allowed by law are subject to the use tax on the value of the vessel.

The retail sales tax on vessels purchased in this state are sourced to the location of the retail outlet at or from which delivery is made to the consumer.

Summary of Bill: A sales tax and use tax exemption is provided to nonresident individuals of this state for the purchase of vessels 30 feet or longer for use outside of this state, provided they are a resident of another state or a province of Canada and they purchase and display a valid use permit.

A vessel dealer shall issue a use permit to a buyer if the dealer is satisfied the buyer is a nonresident. The use permit shall be issued for 12 consecutive months from the date of issuance and must be displayed on the vessel. The cost of the permit is \$500 for vessels 50 feet and under and \$800 for vessels longer than 50 feet.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: Under current law a person has to leave within 45 days or get a series of use permits for 6 months. We are telling people to go to British Columbia. Most of the owners would like to enjoy our waters for a season. We would like to see a fee assessment of \$500 from 30-50 feet and \$800 for above 50 feet. We would like to see the tax sourcing change because people ask boat dealers to deliver the vessel somewhere else. Point of sale can be manipulated.

This bill benefits the boating industry. The extra time people stay in the state benefits many businesses in the state such as marinas and restaurants.

Testimony Against: The bill doesn't specify that it would be limited to individuals. A resident could create an out-of-state corporation and purchase the boat exempt of tax. The bill doesn't state that the use permit is non-renewable, so a person could continue to get new use permits and never pay sales tax on the boat. Lastly, we believe the bill should say what the fee is for the use permit as the Department has no way of determining what the fee should be.

Who Testified: PRO: Chuck Foster, NW Yacht Brokers Association; David Kutz, Recreational Boating Association.

CON: Drew Shirk, Department of Revenue.