
HOUSE BILL 1944

State of Washington 62nd Legislature 2011 Regular Session

By Representatives Halper, Pettigrew, and Seaquist

Read first time 02/11/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to the taxation and permitting of vessels in
2 Washington; amending RCW 82.08.0266, 82.08.02665, 88.02.570, 88.02.640,
3 and 82.49.020; adding a new section to chapter 82.08 RCW; adding new
4 sections to chapter 82.12 RCW; adding new sections to chapter 82.14
5 RCW; adding a new section to chapter 88.02 RCW; creating a new section;
6 and providing an effective date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** (1) Washington state has some of the most
9 desirable cruising waters in the world for pleasure boaters and
10 especially large yachts. It is beneficial to employment and the
11 economy to encourage boaters to call Washington their home port. A
12 larger yacht will contribute significant revenue to the local community
13 in which it is moored. Job losses in the marine industry have been
14 significant because pleasure boaters have moved their vessels out of
15 the state to other states and countries. The state also loses out by
16 losing the associated sales and use tax revenue from the purchase of
17 these vessels.

18 (2) The legislature finds that passage of this act will save jobs

1 and increase employment as Washington once again becomes a destination
2 for boaters.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
4 to read as follows:

5 (1) The tax imposed in RCW 82.08.020 applies only up to three
6 hundred thousand dollars of the selling price of a vessel. Except as
7 provided in subsection (2) of this section, any amount above three
8 hundred thousand dollars is not subject to the tax imposed in RCW
9 82.08.020.

10 (2) A buyer claiming a partial exemption under subsection (1) of
11 this section for the purchase of a watercraft is liable for the
12 additional tax imposed under RCW 82.08.020 on that portion of the
13 selling price of the watercraft that exceeds three hundred thousand
14 dollars, if the watercraft is used in a manner inconsistent with the
15 definition of vessel in this section. The buyer must pay the
16 additional tax due under this subsection (2), along with any applicable
17 penalties and interest under chapter 82.32 RCW, directly to the
18 department. For purposes of the tax imposed under this subsection, the
19 limitation period on assessments in RCW 82.32.050 begins to run from
20 the date that the watercraft is first used in a manner inconsistent
21 with the definition of vessel in this section.

22 (3) For the purposes of this section, "vessel" means every
23 privately owned watercraft used or capable of being used as a means of
24 transportation on the water, other than a seaplane, and that is used
25 solely for personal purposes and is not required to be listed and
26 assessed as provided in RCW 84.40.065.

27 **Sec. 3.** RCW 82.08.0266 and 1999 c 358 s 5 are each amended to read
28 as follows:

29 The tax levied by RCW 82.08.020 (~~shall~~) does not apply to sales
30 to nonresidents of this state (~~for use outside of this state~~) of
31 watercraft requiring coast guard registration or registration by the
32 state of principal use according to the Federal Boating Act of 1958,
33 even though delivery be made within this state, but only when:

34 (1)(a) The watercraft will not be used within this state for more
35 than forty-five days; and

1 ~~((+2))~~ (b) An appropriate exemption certificate supported by
2 identification ascertaining residence as required by the department of
3 revenue and signed by the purchaser or ~~((his))~~ the purchaser's agent
4 establishing the fact that the purchaser is a nonresident and that the
5 watercraft is for use outside of this state, a copy of which ~~((shall be~~
6 retained by the dealer)) the dealer must retain; or

7 (2) The buyer has purchased a nonresident/visitor annual permit as
8 provided in section 8 of this act for the vessel. Sellers making tax
9 exempt sales under this subsection must retain a copy of the buyer's
10 nonresident/visitor annual permit.

11 **Sec. 4.** RCW 82.08.02665 and 1999 c 358 s 6 are each amended to
12 read as follows:

13 The tax levied by RCW 82.08.020 does not apply to sales of vessels
14 to residents of foreign countries ~~((for use outside of this state, even~~
15 ~~though delivery is made within this state)), but only if:~~

16 (1)(a) The vessel will not be used within this state for more than
17 forty-five days; and

18 ~~((+2))~~ (b) An appropriate exemption certificate supported by
19 identification as required by the department of revenue and signed by
20 the purchaser or the purchaser's agent establishes the fact that the
21 purchaser is a resident of a foreign country and that the vessel is for
22 use outside of this state. A copy of the exemption certificate is to
23 be retained by the dealer; or

24 (2) The buyer has purchased a nonresident/visitor annual permit as
25 provided in section 8 of this act for the vessel. Sellers making tax
26 exempt sales under this subsection must retain a copy of the buyer's
27 nonresident/visitor annual permit.

28 (3)(a) As used in this section, except as otherwise provided in (b)
29 of this subsection, "vessel" means every watercraft used or capable of
30 being used as a means of transportation on the water, other than a
31 seaplane.

32 (b) For purposes of the exemption provided in subsection (2) of
33 this section, "vessel" has the same meaning as in section 2 of this
34 act.

35 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.12 RCW
36 to read as follows:

1 (1) The tax imposed in RCW 82.12.020 applies only up to three
2 hundred thousand dollars of the value of the vessel used. Except as
3 provided in subsection (2) of this section, the value of a vessel that
4 is above three hundred thousand dollars is not subject to the tax
5 imposed in RCW 82.12.020.

6 (2) A taxpayer claiming a partial exemption under subsection (1) of
7 this section for the use of a watercraft is liable for the additional
8 tax imposed under RCW 82.12.020 on that portion of the value of the
9 watercraft used that exceeds three hundred thousand dollars, including
10 any applicable penalties and interest under chapter 82.32 RCW, if the
11 watercraft is used in a manner inconsistent with the definition of
12 vessel in this section. This subsection does not apply to a taxpayer
13 with respect to the use of a watercraft, if the taxpayer is subject to
14 the additional tax due in section 2(2) of this act with respect to the
15 watercraft. For purposes of the tax imposed under this subsection, the
16 limitation period on assessments in RCW 82.32.050 begins to run from
17 the date that the watercraft is first used in a manner inconsistent
18 with the definition of vessel in this section.

19 (3) For the purposes of this section, "vessel" has the same meaning
20 as in section 2 of this act.

21 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.12 RCW
22 to read as follows:

23 (1) The tax imposed under RCW 82.12.020 does not apply to the use
24 of a vessel, as defined in section 2 of this act, so long as:

25 (a) The vessel is used solely for the personal use of the owner;
26 and

27 (b) The owner has a valid nonresident/visitor annual permit under
28 section 8 of this act for the vessel. The nonresident/visitor annual
29 permit must be obtained within sixty days of the first use of the
30 vessel on Washington waters or of the first use of the vessel on
31 Washington waters after the expiration of the previous
32 nonresident/visitor annual permit obtained for the vessel.

33 (2) If a taxpayer becomes ineligible for the exemption in
34 subsection (1) of this section, the limitation period on assessments in
35 RCW 82.32.050 begins to run from the date that either of the conditions
36 in subsection (1)(a) or (b) of this section are not met.

1 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.14 RCW
2 to read as follows:

3 (1) For purposes of a local sales tax imposed under the authority
4 of this chapter, RCW 81.104.170, or any other provision of law on the
5 sale of a vessel, the tax applies in the same manner as in section 2 of
6 this act.

7 (2) For purposes of a local use tax imposed under the authority of
8 this chapter, RCW 81.104.170, or any other provision of law on the use
9 of a vessel, the tax applies in the same manner as in section 5 of this
10 act.

11 (3) For the purposes of this section, "vessel" has the same meaning
12 as in section 2 of this act.

13 NEW SECTION. **Sec. 8.** A new section is added to chapter 88.02 RCW
14 to read as follows:

15 (1) Except as otherwise provided in subsection (2) of this section,
16 a vessel owner may purchase a nonresident/visitor annual permit if the
17 vessel:

18 (a) Is currently registered or numbered under the provisions of RCW
19 88.02.570; and

20 (b) Will be used on Washington state waters solely for the personal
21 use of the owner for no longer than twelve consecutive months.

22 (2) Solely for the purposes of this section, "vessel" means the
23 same as provided in section 2 of this act.

24 (3) A nonresident/visitor annual permit may be obtained from the
25 department, county auditor, or other agent or subagent appointed by the
26 director. The nonresident/visitor annual permit:

27 (a) Must show the date the vessel first came into Washington state;
28 and

29 (b) Is valid for one year.

30 (4) The department, county auditor, or other agent or subagent
31 appointed by the director must collect the fee required in RCW
32 88.02.640(1)(m) when issuing a nonresident/visitor annual permit. The
33 fee must be calculated by using the same methods used to calculate the
34 tax under chapter 82.49 RCW.

35 (5) A nonresident/visitor annual permit is not required under this
36 section if the vessel is used in conducting temporary business activity
37 within Washington state.

1 (6) The department must adopt rules to implement this section,
2 including rules on issuing and displaying the nonresident/visitor
3 annual permit.

4 **Sec. 9.** RCW 88.02.570 and 2010 c 161 s 1018 are each amended to
5 read as follows:

6 Vessel registration is required under this chapter except for the
7 following:

8 (1) A military vessel owned by the United States government;

9 (2) A public vessel owned by the United States government, unless
10 the vessel is a type used for recreation;

11 (3) A vessel clearly identified as being:

12 (a) Owned by a state, county, or city; and

13 (b) Used primarily for governmental purposes;

14 (4)(a) Except as otherwise provided in (b) of this subsection (4),
15 a vessel either (~~(a)~~) (i) registered or numbered under the laws of a
16 country other than the United States or (~~(b)~~) (ii) having a valid
17 United States customs service cruising license issued pursuant to 19
18 C.F.R. Sec. 4.94. Either vessel is exempt from registration only for
19 the first sixty days of use on Washington state waters. On or before
20 the sixty-first day of use on Washington state waters, any vessel in
21 the state under this subsection must obtain a vessel visitor permit as
22 required under RCW 88.02.610;

23 (b) A vessel, as defined in section 2 of this act, for which the
24 owner is issued a nonresident/visitor annual permit under section 8 of
25 this act and registered under RCW 88.02.550;

26 (5)(a) A vessel that is currently registered or numbered under the
27 laws of the state of principal operation or that has been issued a
28 valid number under federal law. However, either vessel must be
29 registered in Washington state if the state of principal operation
30 changes to Washington state by the sixty-first day after the vessel
31 arrives in Washington state;

32 (b) A vessel, as defined in section 2 of this act, for which the
33 owner is issued a nonresident/visitor annual permit under section 8 of
34 this act and registered under RCW 88.02.550;

35 (6)(a) A vessel owned by a nonresident if:

36 (~~(a)~~) (i) The vessel is located upon the waters of this state

1 exclusively for repairs, alteration, or reconstruction, or any testing
2 related to these services;

3 ~~((b))~~ (ii) An employee of the facility providing these services
4 is on board the vessel during any testing; and

5 ~~((c))~~ (iii) The nonresident files an affidavit with the
6 department of revenue by the sixty-first day verifying that the vessel
7 is located upon the waters of this state for these services.

8 (b) The nonresident ~~((shall))~~ must continue to file an affidavit
9 every sixty days thereafter, as long as the vessel is located upon the
10 waters of this state exclusively for repairs, alteration,
11 reconstruction, or testing;

12 (7) A vessel equipped with propulsion machinery of less than ten
13 horsepower that:

14 (a) Is owned by the owner of a vessel for which a valid vessel
15 number has been issued;

16 (b) Displays the number of that numbered vessel followed by the
17 suffix "1" in the manner prescribed by the department; and

18 (c) Is used as a tender for direct transportation between the
19 numbered vessel and the shore and for no other purpose;

20 (8) A vessel under sixteen feet in overall length that has no
21 propulsion machinery of any type or that is not used on waters subject
22 to the jurisdiction of the United States or on the high seas beyond the
23 territorial seas for vessels owned in the United States and are powered
24 by propulsion machinery of ten or less horsepower;

25 (9) A vessel with no propulsion machinery of any type for which the
26 primary mode of propulsion is human power;

27 (10) A vessel primarily engaged in commerce that has or is required
28 to have a valid marine document as a vessel of the United States. A
29 commercial vessel that the department of revenue determines has the
30 external appearance of a vessel that would otherwise be required to
31 register under this chapter, must display decals issued annually by the
32 department of revenue that indicate the vessel's exempt status;

33 (11) A vessel primarily engaged in commerce that is owned by a
34 resident of a country other than the United States;

35 (12)(a) A vessel owned by a nonresident natural person brought into
36 the state for use or enjoyment while temporarily within the state for
37 not more than six months in any continuous twelve-month period that
38 ~~((a))~~ (i) is currently registered or numbered under the laws of the

1 state of principal use or ((+b+)) (ii) has been issued a valid number
 2 under federal law. This type of vessel is exempt from registration
 3 only for the first sixty days of use on Washington state waters. On or
 4 before the sixty-first day of use on Washington state waters, any
 5 vessel under this subsection must obtain a nonresident vessel permit as
 6 required under RCW 88.02.620;

7 (b) A vessel, as defined in section 2 of this act, for which the
 8 owner is issued a nonresident/visitor annual permit under section 8 of
 9 this act and registered under RCW 88.02.550;

10 (13) A vessel used in this state by a nonresident individual
 11 possessing a valid use permit issued under RCW 82.08.700 or 82.12.700;
 12 and

13 (14) A vessel held for sale by any licensed dealer.

14 **Sec. 10.** RCW 88.02.640 and 2010 c 161 s 1028 are each amended to
 15 read as follows:

16 (1) In addition to any other fees and taxes required by law, the
 17 department, county auditor or other agent, or subagent appointed by the
 18 director ((shall)) must charge the following vessel fees:

19	FEE	AMOUNT	AUTHORITY	DISTRIBUTION
20	(a) Dealer temporary permit	\$5.00	RCW 88.02.800(2)	General fund
21	(b) Derelict vessel and	Subsection (3) of this	Subsections (3) and (4) of	Subsection (3) of this
22	invasive species removal	section	this section	section
23	(c) Duplicate registration	\$1.25	RCW 88.02.590(1)(c)	General fund
24	(d) Filing	RCW 46.17.005	RCW 46.17.005	RCW 46.68.440
25	(e) License plate	RCW 46.17.015	RCW 46.17.015	RCW 46.68.400
26	technology			
27	(f) License service	RCW 46.17.025	RCW 46.17.025	RCW 46.68.220
28	(g) Nonresident vessel	\$25.00	RCW 88.02.620(3)	Subsection (6) of this
29	permit			section
30	(h) Registration	\$10.50	RCW 88.02.560(2)	General fund
31	(i) Replacement decal	\$1.25	RCW 88.02.595(1)(c)	General fund
32	(j) Title application	\$5.00	RCW 88.02.515	General fund
33	(k) Transfer	\$1.00	RCW 88.02.560(7)	General fund
34	(l) Vessel visitor permit	\$30.00	RCW 88.02.610(3)	General fund

1 (m) Nonresident/visitor .5% of the fair market value Section 8 of this act General fund
2 annual permit of the vessel

3 (2) The five dollar dealer temporary permit fee required in
4 subsection (1) of this section must be credited to the payment of
5 registration fees at the time application for registration is made.

6 (3)(a) Until June 30, 2012, the derelict vessel and invasive
7 species removal fee required in subsection (1) of this section is five
8 dollars and must be distributed as follows:

9 (i) One dollar and fifty cents must be deposited in the aquatic
10 invasive species prevention account created in RCW 77.12.879;

11 (ii) One dollar must be deposited into the freshwater aquatic algae
12 control account created in RCW 43.21A.667;

13 (iii) Fifty cents must be deposited into the aquatic invasive
14 species enforcement account created in RCW 43.43.400; and

15 (iv) Two dollars must be deposited in the derelict vessel removal
16 account created in RCW 79.100.100.

17 (b) On and after June 30, 2012, the derelict vessel and invasive
18 species removal fee is two dollars and must be deposited into the
19 derelict vessel removal account created in RCW 79.100.100. If the
20 department of natural resources indicates that the balance of the
21 derelict vessel removal account, not including any transfer or
22 appropriation of funds into the account or funds deposited into the
23 account collected under subsection (5) of this section reaches one
24 million dollars as of March 1st of any year, the collection of the two
25 dollar derelict vessel and invasive species removal fee must be
26 suspended for the following fiscal year.

27 (4) Until January 1, 2014, an annual derelict vessel removal
28 surcharge of one dollar must be charged with each vessel registration.
29 The surcharge:

30 (a) Is to address the significant backlog of derelict vessels
31 accumulated in Washington state waters that pose a threat to the health
32 and safety of the people and to the environment;

33 (b) Is to be used only for the removal of vessels that are less
34 than seventy-five feet in length; and

35 (c) Must be deposited into the derelict vessel removal account
36 created in RCW 79.100.100.

1 (5) The twenty-five dollar nonresident vessel permit fee must be
2 paid by the vessel owner to the department for the cost of providing
3 the identification document by the department. Any moneys remaining
4 from the fee after the payment of costs must be allocated to counties
5 by the state treasurer for approved boating safety programs under RCW
6 88.02.655.

7 (6) The thirty dollar vessel visitor permit fee must be distributed
8 as follows:

9 (a) Five dollars must be deposited in the derelict vessel removal
10 account created in RCW 79.100.100;

11 (b) The department may keep an amount to cover costs for providing
12 the vessel visitor permit;

13 (c) Any moneys remaining must be allocated to counties by the state
14 treasurer for approved boating safety programs under RCW 88.02.655; and

15 (d) Any fees required for licensing agents under RCW 46.17.005 are
16 in addition to any other fee or tax due for the titling and
17 registration of vessels.

18 **Sec. 11.** RCW 82.49.020 and 1984 c 250 s 1 are each amended to read
19 as follows:

20 The following are exempt from the tax imposed under this chapter:

21 (1) Vessels exempt from the registration requirements of chapter
22 88.02 RCW, except as provided in subsection (7) of this section;

23 (2) Vessels used exclusively for commercial fishing purposes;

24 (3) Vessels under sixteen feet in overall length;

25 (4) Vessels owned and operated by the United States, a state of the
26 United States, or any municipality or political subdivision thereof;

27 (5) Vessels owned by a nonprofit organization or association
28 engaged in character building of boys and girls under eighteen years of
29 age and solely used for such purposes, as determined by the department
30 for the purposes of RCW 84.36.030; (~~and~~)

31 (6) Vessels owned and held for sale by a dealer, but not rented on
32 a regular commercial basis; and

33 (7) Vessels, as defined in section 2 of this act, for which the
34 nonresident owner has purchased a nonresident/visitor annual permit as
35 provided in section 8 of this act.

1 NEW SECTION. **Sec. 12.** This act takes effect August 1, 2011.

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