

SENATE BILL REPORT

SB 5762

As of March 25, 2015

Title: An act relating to the taxation and permitting of vessels in Washington.

Brief Description: Concerning the taxation and permitting of vessels in Washington.

Sponsors: Senators Fraser, Angel, Ericksen, Sheldon, Hatfield, Hobbs, Kohl-Welles and Benton.

Brief History:

Committee Activity: Ways & Means: 3/25/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Under current law, nonresidents may purchase a vessel exempt from the sales tax if they use the vessel outside of the state. However, a nonresident may keep their vessel in the state for up to one year with the purchase of a use permit. Use permits cost \$500 on vessels 50 feet long or less and \$800 on vessels over 50 feet.

Summary of Bill: The state portion of the retail sales tax is limited to a maximum of \$19,500 on the sale of a vessel. Local sales taxes are not impacted. If a watercraft claiming the exemption is used in a manner that is inconsistent with the definition of a vessel, the tax must be paid back along with penalties and interest.

The sales tax exemption on vessels for qualified nonresidents that purchase a use permit is not allowed on the first \$19,500 of state sales tax that would otherwise be due.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Vessel is defined to mean every privately owned watercraft used or capable of being used as a means of transportation on the water, other than a seaplane, and that is used solely for personal purposes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on August 1, 2015.