

SENATE BILL REPORT

SB 5878

As of March 31, 2015

Title: An act relating to nonresident vessel permits and taxation.

Brief Description: Concerning nonresident vessel permits and taxation.

Sponsors: Senators Bailey, Kohl-Welles, Parlette, Keiser, Rolfes, Rivers, Angel, Lias and Ranker.

Brief History:

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: 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 property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products, and some services when used in this state.

Nonresident individuals purchasing a vessel in Washington or piloting a vessel into Washington waters may be eligible for a special use permit that exempts the purchase or use of the vessel from sales and use taxation. A use permit also satisfies vessel registration requirements administered by the state Department of Licensing (DOL). A use permit may be obtained by a nonresident individual purchasing or using a vessel in Washington if the vessel is at least 30 feet in length. A use permit is not renewable and costs \$500 for vessels 30 to 50 feet and \$800 for vessels greater than 50 feet in length. A use permit is valid for 12 consecutive months from the date of purchase. A nonresident business entity, e.g. corporation, limited liability company, partnership, etc., is not eligible to receive a use permit.

Generally, a nonresident individual or business entity bringing a vessel into Washington waters does not need to obtain a permit from DOL for up to 60 days if the vessel is currently registered in another state or the vessel has a current U.S. Coast Guard Documentation Paper. If a vessel owner is a nonresident individual and will be operating a vessel on Washington

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waters for more than 60 days, the owner may apply for a vessel permit on or before the sixtieth day of the visit to remain in the state for an additional 60 days. The person may renew the vessel permit once for an additional 60 days. When the renewed permit expires, the vessel owner must either register the boat in Washington or remove the boat from Washington waters. A nonresident business entity owning a vessel is not eligible to receive a vessel permit.

Summary of Bill: The availability of use permits for purposes of vessel sales and use taxation is extended to nonresident business entities, e.g. corporations, limited liability companies, partnerships, etc. There is a limit of 20 permits available in a calendar year given out on a first-come, first-served basis. Vessel dealers may not issue a use permit to a nonresident who is not an individual. In addition, acceptable documentation requirements for a nonresident business entity to qualify for the use permit are established.

A nonresident business entity owning a vessel may obtain a vessel permit allowing the vessel to remain in Washington for up to six months. Only 20 nonresident vessel permits may be given in a calendar year.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2015.

Staff Summary of Public Testimony: PRO: This is the number-one priority for our businesses. This will keep people from going to Canada where they will pay no taxes. Recreational boating accounts for about \$6 billion to the state. We want to keep jobs here in the maritime industry. We lose a lot of business to British Columbia because of our policies. There are legitimate reasons that boat owners register their boats in an entity. Boats cost about 10 percent of their purchase price each year in maintenance.

OTHER: Entity-owned vessels make it difficult for us to identify the owners so they may be Washington residents.

Persons Testifying: PRO: Joshua Berger, WA Maritime Federation; George Harris, NW Marine Trade Assn.; Brian Lind, Platypus Marine; Martha Comfort, Chuck Hovey Yachts.

OTHER: Drew Shirk, Dept. of Revenue.

Persons Signed in to Testify But Not Testifying: No one.