

SENATE BILL REPORT

SB 5383

As of February 28, 2017

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 Bailey, Angel, Takko and Hobbs.

Brief History:

Committee Activity: Agriculture, Water, Trade & Economic Development: 2/02/17.

Brief Summary of Bill

- Limits the state portion of the retail sales tax to a maximum of \$19,500 on the sale of a vessel.
- Establishes that 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.

SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT

Staff: Greg Vogel (786-7413)

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 3.4 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.

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.

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.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on August 1, 2017.

Staff Summary of Public Testimony: PRO: This bill would make Washington the boating mecca that it should be and is trying get boats purchased in the state to stay in the state. Many boats are purchased here and then licensed in other states because of tax rates, even though a lot of out-of-state people are looking to put their boats in the Northwest. This bill will create 1000 family wage jobs for the state of Washington. Spending will remain stable, and boats will stay in the state and use local businesses for mooring, maintenance, and other services.

Persons Testifying: PRO: Jim Hedrick, Northwest Yacht Broker's Association; Kurt Kingmam, Northwest YachtNet; Chester Baldwin, Northwest Yacht Broker's Association.

Persons Signed In To Testify But Not Testifying: PRO: Alan Powell, Capital City Yachts.