

**SHB 1107** - S COMM AMD

By Committee on Ways & Means

ADOPTED 04/06/2021

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 88.02.620 and 2015 3rd sp.s. c 6 s 802 are each  
4 amended to read as follows:

5 (1) A vessel owner who is a nonresident person must obtain a  
6 nonresident vessel permit on or before the sixty-first day of use in  
7 Washington state if the vessel:

8 (a) Is currently registered or numbered under the laws of the  
9 state or county of principal operation (~~((or))~~), has been issued a  
10 valid number under federal law, or has a valid United States customs  
11 service cruising license issued under 19 C.F.R. Sec. 4.94; and

12 (b) Has been brought into Washington state ((for personal use))  
13 for not more than six months in any continuous twelve-month period,  
14 and is used:

15 (i) For personal use; or

16 (ii) For the purposes of chartering a vessel with a captain or  
17 crew, as long as individual charters are for at least three or more  
18 consecutive days in duration. The permit also applies for the  
19 purposes of necessary transit to or from the start or end point of  
20 such a charter, but that transit time is not counted toward the  
21 duration of the charter.

22 (2) In addition to the requirements in subsection (1) of this  
23 section, a nonresident vessel owner that is not a natural person, or  
24 a nonresident vessel owner who is a natural person who intends to  
25 charter the vessel with a captain or crew as provided in subsection  
26 (1)(b)(ii) of this section, may only obtain a nonresident vessel  
27 permit if:

28 (a) The vessel is at least thirty feet in length, but no more  
29 than (~~((one))~~) two hundred (~~((sixty-four))~~) feet in length;

1 (b) No Washington state resident owns the vessel or is a  
2 principal, as defined in RCW 82.32.865, of the nonresident person  
3 which owns the vessel; and

4 (c) The department of revenue has provided the nonresident vessel  
5 owner written approval authorizing the permit as provided in RCW  
6 82.32.865.

7 (3) A nonresident vessel permit:

8 (a) May be obtained from the department, county auditor or other  
9 agent, or subagent appointed by the director;

10 (b) Must show the date the vessel first came into Washington  
11 state; and

12 (c) Is valid for two months (~~and~~

13 ~~(d) May not be issued after December 31, 2025, to a nonresident~~  
14 ~~vessel owner that is not a natural person~~)).

15 (4) The department, county auditor or other agent, or subagent  
16 appointed by the director must collect the fee required in RCW  
17 88.02.640(1)(i) when issuing nonresident vessel permits.

18 (5) A nonresident vessel permit is not required under this  
19 section if the vessel is used in conducting temporary business  
20 activity within Washington state.

21 (6) For any permits issued under this section to a nonresident  
22 vessel owner that is not a natural person, or for any permits issued  
23 to a natural person who intends to charter the vessel with a captain  
24 or crew as provided in subsection (1)(b)(ii) of this section, the  
25 department must maintain a record of the following information and  
26 provide it to the department of revenue quarterly or as otherwise  
27 mutually agreed to by the department and department of revenue:

28 (a) The name of the record owner of the vessel;

29 (b) The vessel's hull identification number;

30 (c) The amount of the fee paid under RCW 88.02.640(5);

31 (d) The date the vessel first entered the waters of this state;

32 (e) The expiration date for the permit; and

33 (f) Any other information mutually agreed to by the department  
34 and department of revenue.

35 (7) The department must adopt rules to implement this section,  
36 including rules on issuing and displaying the nonresident vessel  
37 permit.

38 **Sec. 2.** RCW 88.02.640 and 2017 3rd sp.s. c 17 s 104 are each  
39 amended to read as follows:

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

FEE	AMOUNT	AUTHORITY	DISTRIBUTION
(a) Dealer temporary permit	\$5.00	RCW 88.02.800(2)	General fund
(b) Derelict vessel and invasive species removal	Subsection (3) of this section	Subsection (3) of this section	Subsection (3) of this section
(c) Derelict vessel removal surcharge	\$1.00	Subsection (4) of this section	Subsection (4) of this section
(d) Duplicate certificate of title	\$1.25	RCW 88.02.530(1)(c)	General fund
(e) Duplicate registration	\$1.25	RCW 88.02.590(1)(c)	General fund
(f) Filing	RCW 46.17.005	RCW 88.02.560(2)	RCW 46.68.400
(g) License plate technology	RCW 46.17.015	RCW 88.02.560(2)	RCW 46.68.370
(h) License service	RCW 46.17.025	RCW 88.02.560(2)	RCW 46.68.220
(i) Nonresident vessel permit	Subsection (5) of this section	RCW 88.02.620(4)	Subsection (5) of this section
(j) Quick title service	\$50.00	RCW 88.02.540(3)	Subsection (7) of this section
(k) Registration	\$10.50	RCW 88.02.560(2)	RCW 88.02.650
(l) Replacement decal	\$1.25	RCW 88.02.595(1)(c)	General fund
(m) Service fee	RCW 46.17.040	RCW 88.02.515 and 88.02.560(2)	RCW 46.17.040
(n) Title application	\$5.00	RCW 88.02.515	General fund
(o) Transfer	\$1.00	RCW 88.02.560(7)	General fund
(p) Vessel visitor permit	\$30.00	RCW 88.02.610(3)	Subsection (6) of this section

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

(3) The derelict vessel and invasive species removal fee required in subsection (1) of this section is five dollars and must be distributed as follows:

1 (a) Two dollars must be deposited in the aquatic invasive species  
2 management account created in RCW 77.135.200;

3 (b) One dollar must be deposited into the aquatic algae control  
4 account created in RCW 43.21A.667; and

5 (c) Two dollars must be deposited in the derelict vessel removal  
6 account created in RCW 79.100.100.

7 (4) In addition to other fees required in this section, an annual  
8 derelict vessel removal surcharge of one dollar must be charged with  
9 each vessel registration. The surcharge is to address the significant  
10 backlog of derelict vessels accumulated in Washington waters that  
11 pose a threat to the health and safety of the people and to the  
12 environment and must be deposited into the derelict vessel removal  
13 account created in RCW 79.100.100.

14 (5) (a) The amount of the nonresident vessel permit fee is:

15 (i) For a vessel owned by a nonresident natural person, twenty-  
16 five dollars; and

17 (ii) For a nonresident vessel owner that is not a natural person,  
18 the fee is equal to:

19 (A) Twenty-five dollars per foot for vessels between thirty and  
20 ninety-nine feet in length;

21 (B) Thirty dollars per foot for vessels between one hundred and  
22 one hundred twenty feet in length; and

23 (C) Thirty-seven dollars and fifty cents per foot for vessels  
24 between one hundred twenty-one and ~~((one))~~ two hundred ~~((sixty-four))~~  
25 feet in length. The fee must be multiplied by the extreme length of  
26 the vessel in feet, rounded up to the nearest whole foot.

27 (b) The fee must be paid by the vessel owner to the department.  
28 Any moneys remaining from the fee after the payment of costs to  
29 administer the permit must be allocated to counties by the state  
30 treasurer for approved boating safety programs under RCW 88.02.650.

31 ~~((A nonresident vessel owner that is not a natural person may  
32 not obtain more than two nonresident vessel permits under RCW  
33 88.02.620 within any thirty-six month period))~~ In addition to the  
34 applicable fees under this section, vessel owners who obtain a  
35 nonresident vessel permit for the purposes of chartering their vessel  
36 with a captain or crew are subject to use tax as provided in section  
37 6 of this act.

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

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

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

5 (c) Any moneys remaining must be allocated to counties by the  
6 state treasurer for approved boating safety programs under RCW  
7 88.02.650; and

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

11 (7)(a) The fifty dollar quick title service fee must be  
12 distributed as follows:

13 (i) If the fee is paid to the director, the fee must be deposited  
14 to the general fund.

15 (ii) If the fee is paid to the participating county auditor or  
16 other agent appointed by the director, twenty-five dollars must be  
17 deposited to the general fund. The remainder must be retained by the  
18 county treasurer in the same manner as other fees collected by the  
19 county auditor.

20 (iii) If the fee is paid to a subagent appointed by the director,  
21 twenty-five dollars must be deposited to the general fund. The  
22 remaining twenty-five dollars must be distributed as follows: Twelve  
23 dollars and fifty cents must be retained by the county treasurer in  
24 the same manner as other fees collected by the county auditor and  
25 twelve dollars and fifty cents must be retained by the subagent.

26 (b) For the purposes of this subsection, "quick title" has the  
27 same meaning as in RCW 88.02.540.

28 (8) The department, county auditor or other agent, or subagent  
29 appointed by the director shall charge the service fee under  
30 subsection (1)(m) of this section beginning January 1, 2016.

31 **Sec. 3.** RCW 82.32.865 and 2015 3rd sp.s. c 6 s 805 are each  
32 amended to read as follows:

33 (1) A nonresident vessel owner that is not a natural person, or a  
34 nonresident vessel owner who intends to charter the vessel with a  
35 captain or crew as provided in RCW 88.02.620(1)(b)(ii), must apply  
36 directly to the department for written approval to obtain a  
37 nonresident vessel permit under RCW 88.02.620. The application must  
38 be made to the department in a form and manner prescribed by the  
39 department and must include:

1 (a) The name of the record owner of the vessel;  
2 (b) The name, address, and telephone number of the individual  
3 that applied for the permit (~~on behalf of the nonresident person~~);  
4 (c) The record owner's address and telephone number;  
5 (d) The vessel's hull identification number;  
6 (e) The vessel year, make, and model;  
7 (f) The vessel length;  
8 (g) The vessel's registration or numbering under the state of  
9 principal operation or the valid number under federal law;  
10 (h) Proof of the person's current nonresident status, including,  
11 as applicable, certified copies of the filed articles of  
12 incorporation, a certificate of formation, or similar filings;  
13 (i) Proof of the identity and current residency of the natural  
14 person owning the charter vessel or all principals of the nonresident  
15 person owning the vessel. Such proof may include a valid driver's  
16 license verifying out-of-state residency or a valid identification  
17 card that has a photograph of the holder and is issued by an out-of-  
18 state jurisdiction;  
19 (j) An affidavit signed by (~~a principal~~) the owner of the  
20 nonresident charter vessel (owner), or by a principal of the entity  
21 owning the nonresident vessel, certifying that the owner is not a  
22 Washington resident or that no Washington residents are principals of  
23 the nonresident vessel owner, as the case may be; and  
24 (k) Any other information the department may require.  
25 (2) The department must determine the nonresident vessel owner's  
26 eligibility for the permit, as provided in RCW 88.02.620(~~, and may~~  
27 ~~request additional information as needed directly from the~~  
28 ~~nonresident vessel owner~~). The department may require additional  
29 proof of eligibility directly from the nonresident vessel owner.  
30 (3) (a) If the department determines that the nonresident vessel  
31 owner (appears) has established by clear, cogent, and convincing  
32 evidence that it is eligible for the permit, the department must  
33 provide written approval to the nonresident vessel owner that  
34 authorizes issuance of the permit and includes the name of the  
35 nonresident vessel owner, the name of the vessel, and the hull  
36 identification number. (~~After November 30, 2025, the department may~~  
37 ~~not provide written approval for any permits under this subsection.~~)  
38 Otherwise, the department must refuse to authorize the issuance of  
39 the permit.

1 (b) The department must also provide the information in the  
2 written approval to the department of licensing.

3 (4) (a) If, after a permit has been issued under RCW 88.02.620,  
4 the department has reason to believe that the nonresident vessel  
5 owner was not eligible for the permit approved under subsection (3)  
6 of this section, the department may request such information from the  
7 nonresident vessel owner as the department determines is necessary to  
8 conduct a review of the nonresident vessel owner's eligibility.

9 (b) If the department finds the nonresident person was not  
10 eligible for the permit, the department must assess against the  
11 nonresident person state and local use tax on the value of the vessel  
12 according to the "value of the article used" as defined in RCW  
13 82.12.010. The department must also assess against the nonresident  
14 person any watercraft excise tax due under chapter 82.49 RCW.  
15 Penalties and interest as provided in this chapter and chapter 82.49  
16 RCW apply to taxes assessed under this subsection (4).

17 (5) For purposes of this section, "principal" means a natural  
18 person that owns, directly or indirectly, including through any  
19 tiered ownership structure, more than a one percent interest in the  
20 nonresident person applying for a nonresident vessel permit.

21 (6) By January 1, 2026, the department must submit a report to  
22 the governor and the transportation and fiscal committees of the  
23 legislature. The report must include:

24 (a) The number of nonresident vessel permits the department  
25 authorized for approval in each calendar year since September 1,  
26 2015, and the length of such vessels;

27 (b) The number of nonresident vessel permits the department  
28 authorized for approval in each calendar year since the effective  
29 date of this section for vessels chartered with a captain or crew;

30 (c) Information about the state or country where the vessels  
31 described in (a) and (b) of this subsection are primarily operated;

32 (d) The amount of use tax collected on vessels described in (b)  
33 of this subsection;

34 (e) A discussion of any evidence of fraud or attempted fraud  
35 related to nonresident vessel permits or permit applications; and

36 (f) Any other information the department determines may be  
37 relevant.

38 (7) The department may adopt rules to implement this section.

1       **Sec. 4.** 2017 c 323 s 302 (uncodified) is amended to read as  
2 follows:

3       (1) Sections 802 and 804, chapter 6, Laws of 2015 3rd sp. sess.  
4 expire (~~(July)~~) January 1, ((2026)) 2029;

5       (2) Section 803, chapter 6, Laws of 2015 3rd sp. sess. expires  
6 January 1, (~~(2026)) 2029~~; and

7       (3) Section 805, chapter 6, Laws of 2015 3rd sp. sess. expires  
8 January 1, 2031.

9       **Sec. 5.** 2017 c 323 s 303 (uncodified) is amended to read as  
10 follows:

11       (1)(a) The legislature finds that a robust maritime industry is  
12 crucial for the state's economic vitality. The legislature further  
13 finds that:

14       (i) The joint task force for economic resilience of maritime and  
15 manufacturing established policy goals to continue efforts towards  
16 developing a robust maritime industry in the state;

17       (ii) The maritime industry has a direct and indirect impact on  
18 jobs in the state;

19       (iii) Many of the cities and towns impacted by the maritime  
20 industry are often small with limited resources to encourage economic  
21 growth, heavily relying on the maritime industry for local jobs and  
22 revenues in the community;

23       (iv) Keeping Washington competitive with other cruising  
24 destinations is essential to continue to build a robust maritime  
25 economy in the state; and

26       (v) Tax incentives are an imperative component to improve the  
27 state's overall competitiveness in this sector.

28       (b) Therefore, the legislature intends to:

29       (i) Bolster the maritime industry in the state by incentivizing  
30 larger vessel owners to use Washington waters for recreational  
31 boating to increase economic activity and jobs in coastal communities  
32 and inland water regions of the state;

33       (ii) Achieve this objective in a fiscally responsible manner and  
34 require analysis of specific metrics to ensure valuable state  
35 resources are being used to accomplish the intended goal; and

36       (iii) Provide limited, short-term tax relief to entity-owned  
37 nonresident vessel owners that currently are not afforded the same  
38 benefits as other nonresident vessel owners.



1 (2) (a) This subsection is the tax preference performance  
2 statement for the entity-owned nonresident vessel tax preference  
3 established in section 803 of this act. The performance statement is  
4 only intended to be used for subsequent evaluation of the tax  
5 preference. It is not intended to create a private right of action by  
6 any party or be used to determine eligibility for preferential tax  
7 treatment.

8 (b) The legislature categorizes this tax preference as one  
9 intended to accomplish the purposes indicated in RCW 82.32.808(2)(c)  
10 and one intended to improve the state's competitiveness with other  
11 nearby cruising destinations.

12 (c) It is the legislature's specific public policy objective to  
13 increase economic activity and jobs related to the maritime industry  
14 by providing a tax preference for large entity-owned nonresident  
15 vessels to increase the length of time these vessels cruise  
16 Washington waters in turn strengthening the maritime economy in the  
17 state.

18 (d) To measure the effectiveness of the tax preference provided  
19 in part VIII, chapter 6, Laws of 2015 3rd sp. sess. in achieving the  
20 public policy objective in (c) of this subsection, the joint  
21 legislative audit and review committee must provide the following in  
22 a published evaluation of this tax preference by December 31,  
23 ((2024)) 2028:

24 (i) A comparison of the gross and taxable revenue generated by  
25 businesses that sell or provide maintenance or repair of vessels,  
26 prior to and after the enactment of this tax preference;

27 (ii) Analysis of retail sales taxes collected from the restaurant  
28 and service industries in coastal and inlet coastal jurisdictions,  
29 for both counties and cities, for periods prior to and after the  
30 enactment of this tax preference;

31 (iii) Employment and wage trends for businesses described in  
32 (d)(i) and (ii) of this subsection, for periods prior to and after  
33 the enactment of this tax preference;

34 (iv) Descriptive statistics for the number of permits sold each  
35 year in addition to the following information:

36 (A) The cost for each permit by strata of vessel length;

37 (B) The jurisdiction of ownership for the nonresident vessel; and

38 (C) The amount of use tax that would have been due based on the  
39 estimated value of the vessel;

1 (v) A comparison of the number of registered entity-owned and  
2 individually owned vessels registered in Washington prior to and  
3 after the enactment of this tax preference; and

4 (vi) Data and analysis for Washington's main cruising destination  
5 competitors, specifically looking at tax preferences provided in  
6 those jurisdictions, vessel industry income data, and any additional  
7 relevant information to compare Washington's maritime climate with  
8 its competitors.

9 (e) The provision of RCW 82.32.808(5) does not apply to this tax  
10 preference.

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

13 (1) Except as otherwise provided in this section, the provisions  
14 of this chapter do not apply to the use of a vessel exempt from  
15 registration under RCW 88.02.570(12).

16 (2) The use of a vessel exempt from registration under RCW  
17 88.02.570(12) for chartering with a captain or crew is subject to the  
18 tax imposed in RCW 82.12.020 based on the reasonable bare rental  
19 value of the vessel as provided in RCW 82.12.010(7)(c).

20 (3) This section expires January 1, 2029.

21 NEW SECTION. **Sec. 7.** Sections 1 through 3 of this act expire  
22 January 1, 2029."

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By Committee on Ways & Means

**ADOPTED 04/06/2021**

23 On page 1, line 2 of the title, after "provisions;" strike the  
24 remainder of the title and insert "amending RCW 88.02.620, 88.02.640,  
25 and 82.32.865; amending 2017 c 323 §§ 302 and 303 (uncodified);  
26 adding a new section to chapter 82.12 RCW; and providing expiration  
27 dates."

EFFECT: (1) Clarifies that nonresident vessel permits are  
available to vessels from outside the country, as long as they have a  
valid cruising license issued by United States Customs.

(2) Allows for a qualifying charter transit to and from under the  
nonresident vessel permit, but that transit time does not count  
toward the duration of the charter.

(3) Subjects qualifying charter vessels owned by natural persons to the same requirements as entity-owned vessels.

(4) Removes a subsection that expanded the definition of "nonresident vessel owner that is not a natural person."

(5) Subjects vessels with nonresident vessel permits that are chartered with a captain or crew to use tax based on the fair rental value of the bare vessel being chartered.

(6) Requires that nonresident entities provide clear, cogent, and convincing evidence that they are eligible to receive a permit.

(7) Expires the act on January 1, 2029, instead of 2031.

(8) Requires the Department of Revenue to submit a report to the Governor and fiscal committees of the Legislature by January 1, 2026, with information about vessels that have applied to the Department for authorization to be granted a permit.

(9) Changes from December 31, 2030, to December 31, 2028, the due date for the Joint Legislative Audit and Review Committee evaluation.

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