

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1107**

67th Legislature  
2021 Regular Session

Passed by the House April 13, 2021  
Yeas 98 Nays 0

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**Speaker of the House of  
Representatives**

Passed by the Senate April 6, 2021  
Yeas 48 Nays 1

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1107** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1107**

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AS AMENDED BY THE SENATE

Passed Legislature - 2021 Regular Session

**State of Washington                      67th Legislature                      2021 Regular Session**

**By** House Transportation (originally sponsored by Representatives Chapman, Barkis, Corry, Tharinger, and Graham)

READ FIRST TIME 02/15/21.

1            AN ACT Relating to expanding certain nonresident vessel permit  
2 provisions; amending RCW 88.02.620, 88.02.640, and 82.32.865;  
3 amending 2017 c 323 §§ 302 and 303 (uncodified); adding a new section  
4 to chapter 82.12 RCW; and providing expiration dates.

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

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

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

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

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

18            (i) For personal use; or

19            (ii) For the purposes of chartering a vessel with a captain or  
20 crew, as long as individual charters are for at least three or more  
21 consecutive days in duration. The permit also applies for the

1 purposes of necessary transit to or from the start or end point of  
2 such a charter, but that transit time is not counted toward the  
3 duration of the charter.

4 (2) In addition to the requirements in subsection (1) of this  
5 section, a nonresident vessel owner that is not a natural person, or  
6 a nonresident vessel owner who is a natural person who intends to  
7 charter the vessel with a captain or crew as provided in subsection  
8 (1)(b)(ii) of this section, may only obtain a nonresident vessel  
9 permit if:

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

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

15 (c) The department of revenue has provided the nonresident vessel  
16 owner written approval authorizing the permit as provided in RCW  
17 82.32.865.

18 (3) A nonresident vessel permit:

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

21 (b) Must show the date the vessel first came into Washington  
22 state; and

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

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

26 (4) The department, county auditor or other agent, or subagent  
27 appointed by the director must collect the fee required in RCW  
28 88.02.640(1)(i) when issuing nonresident vessel permits.

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

32 (6) For any permits issued under this section to a nonresident  
33 vessel owner that is not a natural person, or for any permits issued  
34 to a natural person who intends to charter the vessel with a captain  
35 or crew as provided in subsection (1)(b)(ii) of this section, the  
36 department must maintain a record of the following information and  
37 provide it to the department of revenue quarterly or as otherwise  
38 mutually agreed to by the department and department of revenue:

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

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

- 1 (c) The amount of the fee paid under RCW 88.02.640(5);
- 2 (d) The date the vessel first entered the waters of this state;
- 3 (e) The expiration date for the permit; and
- 4 (f) Any other information mutually agreed to by the department
- 5 and department of revenue.

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

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

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

14 FEE	AMOUNT	AUTHORITY	DISTRIBUTION
15 (a) Dealer temporary permit	\$5.00	RCW 88.02.800(2)	General fund
16 (b) Derelict vessel and 17 invasive species 18 removal	Subsection (3) of this section	Subsection (3) of this section	Subsection (3) of this section
19 (c) Derelict vessel removal 20 surcharge	\$1.00	Subsection (4) of this section	Subsection (4) of this section
21 (d) Duplicate certificate of 22 title	\$1.25	RCW 88.02.530(1)(c)	General fund
23 (e) Duplicate registration	\$1.25	RCW 88.02.590(1)(c)	General fund
24 (f) Filing	RCW 46.17.005	RCW 88.02.560(2)	RCW 46.68.400
25 (g) License plate technology	RCW 46.17.015	RCW 88.02.560(2)	RCW 46.68.370
26 (h) License service	RCW 46.17.025	RCW 88.02.560(2)	RCW 46.68.220
27 (i) Nonresident vessel 28 permit	Subsection (5) of this section	RCW 88.02.620(4)	Subsection (5) of this section
29 (j) Quick title service 30	\$50.00	RCW 88.02.540(3)	Subsection (7) of this section
31 (k) Registration	\$10.50	RCW 88.02.560(2)	RCW 88.02.650
32 (l) Replacement decal	\$1.25	RCW 88.02.595(1)(c)	General fund
33 (m) Service fee 34	RCW 46.17.040	RCW 88.02.515 and 88.02.560(2)	RCW 46.17.040
35 (n) Title application	\$5.00	RCW 88.02.515	General fund

1	(o) Transfer	\$1.00	RCW 88.02.560(7)	General fund
2	(p) Vessel visitor permit	\$30.00	RCW 88.02.610(3)	Subsection (6) of this
3				section

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

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

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

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

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

16 (4) In addition to other fees required in this section, an annual  
17 derelict vessel removal surcharge of one dollar must be charged with  
18 each vessel registration. The surcharge is to address the significant  
19 backlog of derelict vessels accumulated in Washington waters that  
20 pose a threat to the health and safety of the people and to the  
21 environment and must be deposited into the derelict vessel removal  
22 account created in RCW 79.100.100.

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

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

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

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

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

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

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

1           (c) (~~(A nonresident vessel owner that is not a natural person may~~  
2 ~~not obtain more than two nonresident vessel permits under RCW~~  
3 ~~88.02.620 within any thirty-six month period)~~) In addition to the  
4 applicable fees under this section, vessel owners who obtain a  
5 nonresident vessel permit for the purposes of chartering their vessel  
6 with a captain or crew are subject to use tax as provided in section  
7 6 of this act.

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

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

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

14           (c) Any moneys remaining must be allocated to counties by the  
15 state treasurer for approved boating safety programs under RCW  
16 88.02.650; and

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

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

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

24           (ii) If the fee is paid to the participating county auditor or  
25 other agent appointed by the director, twenty-five dollars must be  
26 deposited to the general fund. The remainder must be retained by the  
27 county treasurer in the same manner as other fees collected by the  
28 county auditor.

29           (iii) If the fee is paid to a subagent appointed by the director,  
30 twenty-five dollars must be deposited to the general fund. The  
31 remaining twenty-five dollars must be distributed as follows: Twelve  
32 dollars and fifty cents must be retained by the county treasurer in  
33 the same manner as other fees collected by the county auditor and  
34 twelve dollars and fifty cents must be retained by the subagent.

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

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

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

3       (1) A nonresident vessel owner that is not a natural person, or a  
4 nonresident vessel owner who intends to charter the vessel with a  
5 captain or crew as provided in RCW 88.02.620(1)(b)(ii), must apply  
6 directly to the department for written approval to obtain a  
7 nonresident vessel permit under RCW 88.02.620. The application must  
8 be made to the department in a form and manner prescribed by the  
9 department and must include:

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

11       (b) The name, address, and telephone number of the individual  
12 that applied for the permit (~~on behalf of the nonresident person~~);

13       (c) The record owner's address and telephone number;

14       (d) The vessel's hull identification number;

15       (e) The vessel year, make, and model;

16       (f) The vessel length;

17       (g) The vessel's registration or numbering under the state of  
18 principal operation or the valid number under federal law;

19       (h) Proof of the person's current nonresident status, including,  
20 as applicable, certified copies of the filed articles of  
21 incorporation, a certificate of formation, or similar filings;

22       (i) Proof of the identity and current residency of the natural  
23 person owning the charter vessel or all principals of the nonresident  
24 person owning the vessel. Such proof may include a valid driver's  
25 license verifying out-of-state residency or a valid identification  
26 card that has a photograph of the holder and is issued by an out-of-  
27 state jurisdiction;

28       (j) An affidavit signed by (~~a principal~~) the owner of the  
29 nonresident charter vessel (~~owner~~), or by a principal of the entity  
30 owning the nonresident vessel, certifying that the owner is not a  
31 Washington resident or that no Washington residents are principals of  
32 the nonresident vessel owner, as the case may be; and

33       (k) Any other information the department may require.

34       (2) The department must determine the nonresident vessel owner's  
35 eligibility for the permit, as provided in RCW 88.02.620(~~, and may~~  
36 ~~request additional information as needed directly from the~~  
37 ~~nonresident vessel owner~~). The department may require additional  
38 proof of eligibility directly from the nonresident vessel owner.

39       (3) (a) If the department determines that the nonresident vessel  
40 owner (~~appears~~) has established by clear, cogent, and convincing

1 evidence that it is eligible for the permit, the department must  
2 provide written approval to the nonresident vessel owner that  
3 authorizes issuance of the permit and includes the name of the  
4 nonresident vessel owner, the name of the vessel, and the hull  
5 identification number. (~~After November 30, 2025, the department may~~  
6 ~~not provide written approval for any permits under this subsection.~~)  
7 Otherwise, the department must refuse to authorize the issuance of  
8 the permit.

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

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

17 (b) If the department finds the nonresident person was not  
18 eligible for the permit, the department must assess against the  
19 nonresident person state and local use tax on the value of the vessel  
20 according to the "value of the article used" as defined in RCW  
21 82.12.010. The department must also assess against the nonresident  
22 person any watercraft excise tax due under chapter 82.49 RCW.  
23 Penalties and interest as provided in this chapter and chapter 82.49  
24 RCW apply to taxes assessed under this subsection (4).

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

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

32 (a) The number of nonresident vessel permits the department  
33 authorized for approval in each calendar year since September 1,  
34 2015, and the length of such vessels;

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

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



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

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

5 (f) Any other information the department determines may be  
6 relevant.

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

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

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

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

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

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

18 (1)(a) The legislature finds that a robust maritime industry is  
19 crucial for the state's economic vitality. The legislature further  
20 finds that:

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

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

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

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

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

35 (b) Therefore, the legislature intends to:

36 (i) Bolster the maritime industry in the state by incentivizing  
37 larger vessel owners to use Washington waters for recreational

1 boating to increase economic activity and jobs in coastal communities  
2 and inland water regions of the state;

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

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

9 (2) (a) This subsection is the tax preference performance  
10 statement for the entity-owned nonresident vessel tax preference  
11 established in section 803 of this act. The performance statement is  
12 only intended to be used for subsequent evaluation of the tax  
13 preference. It is not intended to create a private right of action by  
14 any party or be used to determine eligibility for preferential tax  
15 treatment.

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

20 (c) It is the legislature's specific public policy objective to  
21 increase economic activity and jobs related to the maritime industry  
22 by providing a tax preference for large entity-owned nonresident  
23 vessels to increase the length of time these vessels cruise  
24 Washington waters in turn strengthening the maritime economy in the  
25 state.

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

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

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

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

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

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

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

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

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

13 (vi) Data and analysis for Washington's main cruising destination  
14 competitors, specifically looking at tax preferences provided in  
15 those jurisdictions, vessel industry income data, and any additional  
16 relevant information to compare Washington's maritime climate with  
17 its competitors.

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

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

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

25 (2) The use of a vessel exempt from registration under RCW  
26 88.02.570(12) for chartering with a captain or crew is subject to the  
27 tax imposed in RCW 82.12.020 based on the reasonable bare rental  
28 value of the vessel as provided in RCW 82.12.010(7)(c).

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

30 NEW SECTION. **Sec. 7.** Sections 1 through 3 of this act expire  
31 January 1, 2029.

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