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**Ways & Means Committee**

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**HB 1904**

**Brief Description:** Concerning nonresident vessel permits and taxation.

**Sponsors:** Representatives Clibborn, Rodne, Maxwell and Liias.

**Brief Summary of Bill**

- Extends the availability of Use Permits for purposes of vessel sales and use taxation to nonresident business entities.
- Authorizes a nonresident business entity to acquire a vessel permit to remain in Washington for up to six months.

**Hearing Date:** 2/16/11

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and 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 and digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

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. 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

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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 (corporation, limited liability company, partnership, etc.) is not eligible to receive a Use Permit.

Generally, a nonresident (individual or business entity) bringing a vessel onto Washington waters does not need to obtain a permit from the Department of Licensing 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 waters for more than 60 days, the owner may apply for a vessel permit on or before the 60th 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 (corporations, limited liability companies, partnerships, etc.)

A nonresident business entity owning a vessel may obtain a vessel permit allowing the vessel to remain in Washington for up to six months.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2011

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.