

HOUSE BILL REPORT

HB 1639

As Reported By House Committee On:
Finance

Title: An act relating to a use tax exemption for vessel manufacturers and dealers.

Brief Description: Exempting vessel manufacturers and dealers from the use tax.

Sponsors: Representatives B. Thomas, Van Luven, Morris, Horn, Campbell, Kremen and Sheldon.

Brief History:

Committee Activity:

Finance: 2/15/95, 2/22/95 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Bob Longman (786-7139).

Background: The retail sales tax is imposed on sales of most articles of tangible personal property and some services. The sales tax is paid by the purchaser and collected by the seller. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The total state and local rate varies from 7 percent to 8.2 percent, depending on the location.

The use tax is imposed on the use of articles of tangible personal property when the sale of the property was not subject to sales tax. The use tax applies when property is acquired from out of state. It also applies when property is acquired from an in-state person who does not collect sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used.

The use tax does not apply to the display of inventory by a seller. However, if a seller purchases property without paying retail sales tax and uses the property as a

demonstrator, for personal use, or for any purpose other than display as inventory for sale, the use tax applies even if the property may later be sold.

Summary of Substitute Bill: Manufacturers and dealers of vessels (watercraft) are exempt from use tax when a vessel or vessel trailer is used for the following purposes, as defined in the bill: testing, training, sales promotion, loaning to nonprofit organization for up to 72 hours, displaying or demonstrating at a show, delivery to a buyer or person involved in manufacture or sale of the vessel, and demonstration to a potential buyer. If the manufacturer or dealer uses the vessel for personal use, the use tax must be based on the reasonable rental value of the vessel used.

Substitute Bill Compared to Original Bill: The substitute bill makes the following change: For personal use of a vessel by a manufacturer or dealer, use tax is due on the full value of the vessel unless the manufacturer or dealer can show the vessel is truly held for sale. Language is clarified regarding testing, displaying, etc., which can be done without use tax liability.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 23, 1995.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a cleanup bill which will clarify what is and what is not taxable. Currently there are some questions and both the industry and the department would like the law to be more clear.

Testimony Against: None.

Testified: Representative Brian Thomas, prime sponsor; Jack Swanberg, Northwest Marine Trade Association; and Clair Hesselholt, Department of Revenue.