
SENATE BILL 5817

State of Washington

63rd Legislature

2013 Regular Session

By Senators Fraser, Dammeier, Ranker, and Shin

Read first time 02/19/13. Referred to Committee on Ways & Means.

1 AN ACT Relating to the taxation and permitting of vessels in
2 Washington; amending RCW 82.08.700 and 82.12.700; adding a new section
3 to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding
4 a new section to chapter 82.14 RCW; creating a new section; providing
5 an effective date; and providing an expiration date.

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

7 NEW SECTION. **Sec. 1.** (1) Washington state has some of the most
8 desirable cruising waters in the world for recreational boaters and
9 Washington's recreational boating industry generates needed general
10 fund revenue, family wage jobs, as well as dedicated funds for marine-
11 related state accounts. According to a 2010 joint legislative audit
12 and review committee report entitled, "activities supporting
13 recreational boating" between 2007 and 2009 Washington collected 70.9
14 million dollars in boating-related revenues, forty-one million dollars
15 of which was deposited in the state's general fund. Additionally,
16 Washington received revenue from more boating-related sources than any
17 other jurisdiction contributing to the study.

18 (2) However, between 2006 and 2011 Washington's recreational marine
19 industry incurred heavy losses both in terms of sales revenue and drops

1 in employment, jeopardizing its ability to continue generating revenue
2 for the state and creating jobs for Washington residents. Between 2008
3 and 2010, total boat sales fell from over one hundred ten million
4 dollars to eighty million dollars, according to a joint legislative
5 audit and review committee report entitled "2011 tax preference
6 performance reviews." Additionally, the joint legislative audit and
7 review committee has found that the number of employees working in boat
8 building jobs fell by approximately fifty percent and that the number
9 of people employed in boat sales jobs in Washington state fell by
10 approximately thirty-three percent between 2007 and 2010.

11 (3) It is the legislature's intent that this act increase
12 employment and enhance the state's economy by encouraging boaters to
13 call Washington their homeport. The legislature finds that the
14 increased presence of larger recreational vessels in marine districts
15 throughout the state will contribute significant revenue to the
16 jurisdictions in which the vessels are moored and remove disincentives
17 that discourage Washington resident boaters from purchasing, using, and
18 mooring their recreational vessels in Washington state.

19 (4) The legislature finds that Washington's high sales tax rate,
20 relative to its neighboring states and Canada, creates a disincentive
21 for Washington resident pleasure boaters to moor, use, and purchase
22 large recreational vessels in Washington state. Moreover, Washington's
23 high use tax rate, relative to its neighboring states and Canada,
24 creates a disincentive for nonresident pleasure boaters to choose
25 Washington as a location to moor and use large recreational vessels.
26 As a result of these high taxes, Washington suffered decreased revenues
27 from sales and use taxes, excise taxes, and vessel registration fees
28 that could have been collected from large recreational vessels that
29 would have otherwise been located or purchased in this state.

30 (5) The legislature further finds that this act will remove a
31 disincentive for Washington residents to purchase, moor, and use large
32 pleasure vessels in Washington waters and remove a disincentive for
33 nonresidents to moor and use large pleasure vessels in Washington
34 state. The legislature also finds that this act will increase state
35 revenues on sales and use tax, excise tax, and vessel registrations on
36 large recreational vessels in Washington state, as well as save jobs,
37 increase employment, and realize economic benefits related to

1 maintenance, provisioning, fueling, and other ancillary spending
2 associated with the presence of large recreational vessels in
3 Washington waters.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
5 to read as follows:

6 (1) The tax imposed in RCW 82.08.020 applies only up to three
7 hundred thousand dollars of the selling price of a vessel. Except as
8 provided in subsection (2) of this section, any amount above three
9 hundred thousand dollars is not subject to the tax imposed in RCW
10 82.08.020.

11 (2) A buyer claiming a partial exemption under subsection (1) of
12 this section for the purchase of a watercraft is liable for the
13 additional tax imposed under RCW 82.08.020 on that portion of the
14 selling price of the watercraft that exceeds three hundred thousand
15 dollars, if the watercraft is used in a manner inconsistent with the
16 definition of vessel in this section. The buyer must pay the
17 additional tax due under this subsection (2), along with any applicable
18 penalties and interest under chapter 82.32 RCW, directly to the
19 department. For purposes of the tax imposed under this subsection, the
20 limitation period on assessments in RCW 82.32.050 begins to run from
21 the date that the watercraft is first used in a manner inconsistent
22 with the definition of vessel in this section.

23 (3) For the purposes of this section, "vessel" means every
24 privately owned watercraft used or capable of being used as a means of
25 transportation on the water, other than a seaplane, and that is used
26 solely for personal purposes and is not required to be listed and
27 assessed as provided in RCW 84.40.065.

28 **Sec. 3.** RCW 82.08.700 and 2010 c 106 s 219 are each amended to
29 read as follows:

30 (1) Except as otherwise provided in subsection (2) of this section,
31 the tax levied by RCW 82.08.020 does not apply to sales to nonresident
32 individuals of vessels thirty feet or longer if an individual
33 purchasing a vessel purchases and displays a valid use permit.

34 (2) The exemption provided in this section does not apply to the
35 sale of a vessel, as defined in section 2 of this act, if the selling
36 price exceeds three hundred thousand dollars.

1 (3)(a) An individual claiming exemption from retail sales tax under
2 this section must display proof of his or her current nonresident
3 status at the time of purchase.

4 (b) Acceptable proof of a nonresident individual's status includes
5 one piece of identification such as a valid driver's license from the
6 jurisdiction in which the out-of-state residency is claimed or a valid
7 identification card that has a photograph of the holder and is issued
8 by the out-of-state jurisdiction. Identification under this subsection
9 (~~((2))~~) (3)(b) must show the holder's residential address and have as
10 one of its legal purposes the establishment of residency in that out-
11 of-state jurisdiction.

12 (~~((3))~~) (4) Nothing in this section requires the vessel dealer to
13 make tax exempt retail sales to nonresidents. A dealer may choose to
14 make sales to nonresidents, collect the sales tax, and remit the amount
15 of sales tax collected to the state as otherwise provided by law. If
16 the dealer chooses to make a sale to a nonresident without collecting
17 the sales tax, the vendor must examine the proof of nonresidence,
18 determine whether the proof is acceptable under subsection (~~((2))~~)
19 (3)(b) of this section, and maintain records for each nontaxable sale
20 that shows the type of proof accepted, including any identification
21 numbers where appropriate, and the expiration date, if any.

22 (~~((4))~~) (5) A vessel dealer (~~(shall)~~) must issue a use permit to a
23 buyer if the dealer is satisfied that the buyer is a nonresident. The
24 use permit must be in a form and manner required by the department and
25 must include an affidavit, signed by the purchaser, declaring that the
26 vessel will be used in a manner consistent with this section. The fee
27 for the issuance of a use permit is five hundred dollars for vessels
28 fifty feet in length or less and eight hundred dollars for vessels
29 greater than fifty feet in length. Funds collected under this section
30 and RCW 82.12.700 must be reported on the dealer's excise tax return
31 and remitted to the department in accordance with RCW 82.32.045. The
32 department must transmit the fees to the state treasurer to be
33 deposited in the state general fund. The use permit must be displayed
34 on the vessel and is valid for twelve consecutive months from the date
35 of issuance. A use permit is not renewable. A purchaser at the time
36 of purchase must make an irrevocable election to take the exemption
37 authorized in this section or the exemption in either RCW 82.08.0266 or
38 82.08.02665. A vessel dealer must maintain a copy of the use permit

1 for the dealer's records. Vessel dealers must provide copies of use
2 permits issued by the dealer under this section and RCW 82.12.700 to
3 the department on a quarterly basis.

4 ~~((+5))~~ (6) A nonresident who claims an exemption under this
5 section and who uses a vessel in this state after his or her use permit
6 for that vessel has expired is liable for the tax imposed under RCW
7 82.08.020 on the original selling price of the vessel and must pay the
8 tax directly to the department. Interest at the rate provided in RCW
9 82.32.050 applies to amounts due under this subsection, retroactively
10 to the date the vessel was purchased, and accrues until the full amount
11 of tax due is paid to the department.

12 ~~((+6))~~ (7) Any vessel dealer who makes sales without collecting
13 the tax to a person who does not hold valid identification establishing
14 out-of-state residency, and any dealer who fails to maintain records of
15 sales to nonresidents as provided in this section, is personally liable
16 for the amount of tax due.

17 ~~((+7))~~ (8) Chapter 82.32 RCW applies to the administration of the
18 fee imposed in this section and RCW 82.12.700.

19 ~~((+8))~~ (9) A vessel dealer that issues use permits under this
20 section and RCW 82.12.700 must file with the department all returns in
21 an electronic format as provided or approved by the department. As
22 used in this subsection, "returns" has the same meaning as "return" in
23 RCW 82.32.050.

24 (a) Any return required to be filed in an electronic format under
25 this subsection is not filed until received by the department in an
26 electronic format provided or approved by the department.

27 (b) The electronic filing requirement in this subsection ends when
28 a vessel dealer no longer issues use permits, and the dealer has
29 electronically filed all of its returns reporting the fees collected
30 under this section and RCW 82.12.700.

31 (c) The department may waive the electronic filing requirement in
32 this subsection for good cause shown.

33 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
34 to read as follows:

35 (1) The tax imposed in RCW 82.12.020 applies only up to three
36 hundred thousand dollars of the value of the vessel used. Except as

1 provided in subsection (2) of this section, the value of a vessel that
2 is above three hundred thousand dollars is not subject to the tax
3 imposed in RCW 82.12.020.

4 (2) A taxpayer claiming a partial exemption under subsection (1) of
5 this section for the use of a watercraft is liable for the additional
6 tax imposed under RCW 82.12.020 on that portion of the value of the
7 watercraft used that exceeds three hundred thousand dollars, including
8 any applicable penalties and interest under chapter 82.32 RCW, if the
9 watercraft is used in a manner inconsistent with the definition of
10 vessel in this section. This subsection does not apply to a taxpayer
11 with respect to the use of a watercraft, if the taxpayer is subject to
12 the additional tax due in section 2(2) of this act with respect to the
13 watercraft. For purposes of the tax imposed under this subsection, the
14 limitation period on assessments in RCW 82.32.050 begins to run from
15 the date that the watercraft is first used in a manner inconsistent
16 with the definition of vessel in this section.

17 (3) For the purposes of this section, "vessel" has the same meaning
18 as in section 2 of this act.

19 **Sec. 5.** RCW 82.12.700 and 2007 c 22 s 2 are each amended to read
20 as follows:

21 (1) Except as otherwise provided in subsection (2) of this section,
22 the provisions of this chapter do not apply in respect to the use of a
23 vessel thirty feet or longer if a nonresident individual:

24 (a) Purchased the vessel from a vessel dealer in accordance with
25 RCW 82.08.700;

26 (b) Purchased the vessel in the state from a person other than a
27 vessel dealer, but the nonresident individual purchases and displays a
28 valid use permit from a vessel dealer under this section within
29 fourteen days of the date that the vessel is purchased in this state;
30 or

31 (c) Acquired the vessel outside the state, but purchases and
32 displays a valid use permit from a vessel dealer under this section
33 within fourteen days of the date that the vessel is first brought into
34 this state.

35 (2) The exemption provided in subsection (1) of this section does
36 not apply to the use of a vessel, as defined in section 2 of this act,
37 if the value of the vessel used exceeds three hundred thousand dollars.

1 (3) Any vessel dealer that makes tax exempt sales under RCW
2 82.08.700 (~~(shall)~~) must issue use permits under this section. A
3 vessel dealer shall issue a use permit under this section if the dealer
4 is satisfied that the individual purchasing the permit is a
5 nonresident. The use permit is valid for twelve consecutive months
6 from the date of issuance. A use permit is not renewable, and an
7 individual may only purchase one use permit for a particular vessel.
8 A person who has been issued a use permit under RCW 82.08.700 for a
9 particular vessel may not purchase a use permit under this section for
10 the same vessel after the use permit issued under RCW 82.08.700
11 expires. All other requirements and conditions, not inconsistent with
12 the provisions of this section, relating to use permits in RCW
13 82.08.700, apply to use permits under this section. A person may not
14 claim an exemption under RCW 82.12.0251(1) within twenty-four months
15 after a use permit, issued under this section or RCW 82.08.700, for the
16 same vessel, has expired.

17 (~~(3)~~) (4)(a) Except as provided in (b) of this subsection, a
18 nonresident who claims an exemption under this section and who uses a
19 vessel in this state after his or her use permit for that vessel has
20 expired is liable for the tax imposed under RCW 82.12.020 based on the
21 value of the vessel at the time that the vessel was either purchased in
22 this state under circumstances in which the exemption under RCW
23 82.08.700 did not apply or was first brought into this state, as the
24 case may be. Interest at the rate provided in RCW 82.32.050 applies to
25 amounts due under this subsection, retroactively to the date that the
26 vessel was purchased in this state or first brought into the state, and
27 accrues until the full amount of tax due is paid to the department.

28 (b) A nonresident individual who is exempt under both this section
29 and RCW 82.08.700 and who uses a vessel in this state after his or her
30 use permit for that vessel expires is liable for tax and interest as
31 provided in RCW 82.08.700(~~(5)~~) (6).

32 (~~(4)~~) (5) Any vessel dealer that issues a use permit to an
33 individual who does not hold valid identification establishing out-of-
34 state residency, and any dealer that fails to maintain records for each
35 use permit issued that shows the type of proof accepted, including any
36 identification numbers where appropriate, and the expiration date, if
37 any, is personally liable for the amount of tax due.

1 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.14 RCW
2 to read as follows:

3 (1) For purposes of a local sales tax imposed under the authority
4 of this chapter, RCW 81.104.170, or any other provision of law on the
5 sale of a vessel, the tax applies in the same manner as in section 2 of
6 this act.

7 (2) For purposes of a local use tax imposed under the authority of
8 this chapter, RCW 81.104.170, or any other provision of law on the use
9 of a vessel, the tax applies in the same manner as in section 4 of this
10 act.

11 (3) For the purposes of this section, "vessel" has the same meaning
12 as in section 2 of this act.

13 NEW SECTION. **Sec. 7.** This act expires August 1, 2018.

14 NEW SECTION. **Sec. 8.** This act takes effect August 1, 2013.

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