
Transportation Committee

HB 1906

Brief Description: Changing the vessel length requirement in obtaining nonresident vessel permits.

Sponsors: Representatives Chapman, Barkis, Bronoske, Reed, Ryu and Reeves.

Brief Summary of Bill

- Increases the allowable length of nonresident vessels that are commercially owned or intended for chartering purposes, for the purposes of obtaining a nonresident vessel permit from the Department of Licensing, from 200 to 300 feet.

Hearing Date: 1/10/24

Staff: Mark Matteson (786-7145).

Background:

The Use Tax and Watercraft Excise Tax.

The use tax applies to the value of property, digital products, and certain services when used in Washington, if the retail sales tax was not collected when the user acquired the property or product. The use tax is imposed at both the state and local levels: the state rate is 6.5 percent for most items of property, digital products, and services subject to the tax; and the local rate varies from 0.5 percent to 3.9 percent, depending on the location. State tax proceeds are deposited in the State General Fund.

An annual excise tax of 0.5 percent of the fair market value, but not less than \$5, is imposed on watercraft for the privilege of using a vessel upon the waters of Washington. Tax proceeds are deposited in the State General Fund.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Nonresident Vessel Permit Authorization.

The nonresident owner of a vessel must obtain a nonresident vessel permit to operate the vessel on the waters of Washington under certain conditions. If the owner wants to operate the vessel on Washington waters for more than 60 days, the owner must apply for a permit on or before the sixtieth day of the visit to remain in the state for an additional 60 days. The owner may renew the permit once for an additional 60 days. When the permit expires, the vessel owner must either register the vessel in Washington or remove the vessel from Washington waters. If the owner registers the vessel in Washington, the owner must pay use tax, if retail sales tax has not already been paid, along with the registration and titling fees. Watercraft excise tax may also be due.

A nonresident vessel permit may be obtained only for certain vessels and for certain activities. The vessel must be either registered in the United States (US); assigned a valid number under federal law; or have a current US Customs Service cruising license. The vessel is eligible only if it has not been brought into Washington for not more than six months in any 12-month period. A vessel is eligible only if it is used for personal use or for charters with a captain or crew, as long as each individual charter is at least three days in duration.

For a vessel owned by an entity other than a natural person, or for a vessel for which the individual owner intends to use it for charters with a captain or crew, additional conditions apply before a permit may be issued. The vessel must be at least 30 feet in length, but no more than 200 feet. The vessel may not be owned by a Washington resident, nor may a Washington resident be a principal of a nonresident owner. Additionally, the Department of Revenue (DOR) must provide approval to the owner authorizing the permit.

The authority for an entity other than a person to obtain a nonresident vessel permit, and for the Department of Licensing (DOL) to issue such a permit, expires in 2029.

Nonresident Vessel Permit Process and Terms.

The process to apply for a nonresident vessel permit depends on whether the owner is a person or an entity other than a person. If a person seeks a permit, that person must apply to the DOL via the DOL, a county auditor, or a subagent. The person must show an unexpired boat registration, identification, and the date that the vessel first entered Washington waters. The person must pay a fee of \$25. If the owner is an entity other than a person, or if the owner is a person who intends to charter the vessel with a captain or crew, the entity must also be approved first by the DOR; the vessel for which the entity is seeking a permit must be no less than 30 feet in length and no greater than 200 feet; and the fee that must be paid to the DOL is from \$750 to \$6,150, depending on the length of the vessel.

Once the DOL has issued a nonresident vessel permit to an entity other than a person or to a person who intends to charter the vessel with a captain or crew, the DOL must maintain a record of certain vessel information and provide the information periodically to the DOR. The information includes: the name of the record owner of the vessel; the vessel's hull identification number; the amount of fees paid for the permit; the date that the vessel first entered Washington

waters; the expiration date of the permit; and any other information that both the DOR and the DOL deem relevant.

If, after the DOL has issued a permit to an entity other than a person, the DOR finds the entity ineligible for the permit, the DOR must assess state and local use tax on the value of the vessel, as well as any watercraft excise tax due.

Nonresident Vessel Permit Exemptions.

A nonresident vessel permit is not required for the use of the vessel in Washington for the first 60 days, if the vessel is currently registered in another state or the vessel has a current US Coast Guard documentation paper, nor is it required if the vessel is used in conducting temporary business activity within Washington. In addition, no permit or registration is necessary if the vessel is in Washington exclusively for repairs, alteration, or testing. However, if the vessel is used for the purposes of chartering with a captain or crew within the first 60 days, the vessel is subject to use tax on the reasonable bare rental value of the vessel.

Summary of Bill:

The allowable length of a vessel for which a nonresident entity other than a person may obtain a nonresident vessel permit, or for which a nonresident person who intends to charter the vessel with a captain or crew may obtain such a permit, is increased from 200 to 300 feet.

Appropriation: None.

Fiscal Note: Available.

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