WAC 458-20-238 Sales of watercraft to nonresidents—Use of watercraft in Washington by nonresidents. (1) **Introduction.** This rule explains:

• Nonresident temporary use of watercraft in Washington waters for sales and use tax purposes;

• Purchase and delivery of vessels in Washington by nonresidents, and the application or exemption of retail sales and use taxes;

• The vessel use permit, authorized by RCW 82.08.700 and 82.12.700, for one year in Washington waters by nonresident individuals for vessels 30 feet or longer;

• The nonresident vessel permit, authorized by RCW 88.02.620, for individual persons extending their stay an additional 60 days on Washington waters;

• The nonresident entity vessel permit, authorized by RCW 88.02.620 and 82.32.865, that allows for an additional 60 days on Washington waters; and

• The nonresident vessel repair affidavit required when vessels are in Washington exclusively for repair. RCW 88.02.570.

(a) **Examples.** Examples found in this rule identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all the facts and circumstances.

(b) **Other rules that may be relevant.**

(i) WAC 458-20-136 Manufacturing, processing for hire, fabricating;

(ii) WAC 458-20-178 Use tax and the use of tangible personal property;

(iii) WAC 458-20-193 Interstate sales of tangible personal property;

(iv) WAC 458-20-19301 Multiple activities tax credits;

(v) WAC 458-20-145 Sourcing retail sales for business and occupation tax and state and local retail sales tax—Sourcing of use tax for purchasers; and

(vi) WAC 458-20-211 Leases or rentals of tangible personal property, bailments.

(2) **Business and occupation (B&O) tax.** Retailing B&O tax is due on all sales of watercraft to consumers if delivery is made within the state of Washington, even though the sale may qualify for an exemption from retail sales tax. If the seller also manufactures the vessel in Washington, the seller must report under both the manufacturing and wholesaling or retailing classifications of the B&O tax, and claim a multiple activities tax credit (MATC). For additional information on manufacturing and the MATC, manufacturers should refer to WAC 458-20-136 and 458-20-19301.

(3) **Retail sales tax.** The retail sales tax generally applies to the sale of watercraft to consumers when delivery is made within the state of Washington. Under certain conditions, however, retail sales tax exemptions are available for sales of watercraft to nonresidents of Washington, even when delivery is made within Washington.

(a) **Exemptions for sales of watercraft, to nonresidents, requiring United States Coast Guard documentation and certain sales of vessels to residents of foreign countries.** RCW 82.08.0266 provides an exemption from retail sales tax for sales of watercraft to residents of states other than Washington for use outside this state, even when delivery is made within Washington. The exemption provided by RCW 82.08.0266 is limited to sales of watercraft requiring United States

Coast Guard registration or registration by the state of principal use according to the Federal Boating Act of 1958.

RCW 82.08.02665 provides a retail sales tax exemption for sales of vessels to residents of foreign countries for use outside this state, even when delivery is made in Washington. This exemption is not limited to the types of watercraft qualifying for the exemption provided by RCW 82.08.0266. The term "vessel," for the purposes of RCW 82.08.02665, means every watercraft used or capable of being used as a means of transportation on the water, other than a seaplane.

(i) **Exemption requirements.** The following requirements must be met to perfect any claim for exemption under RCW 82.08.0266 and 82.08.02665:

(A) The watercraft must not be used within this state for more than 45 days from delivery;

(B) The seller must examine acceptable proof that the buyer is a resident of another state or a foreign country; and

(C) The seller, at the time of the sale, must retain as a part of its records a completed exemption certificate to document the exempt nature of the sale. This requirement may be satisfied by using the department's "Buyer's Retail Sales Tax Exemption Certificate," or another certificate with substantially the information as it relates to the exemption provided by RCW 82.08.0266 and 82.08.02665. The certificate must be completed in its entirety, and retained by the seller. A blank certificate is available on the department of revenue's (department) website at dor.wa.gov.

The seller should not accept an exemption certificate if the seller becomes aware of any information prior to the completion of the sale that is inconsistent with the buyer's claim of residency, such as a Washington address on a credit application.

(ii) **Component parts and repairs.** The exemptions provided by RCW 82.08.0266 and 82.08.02665 apply only to sales of watercraft. For the purposes of these exemptions, the term "watercraft" includes component parts which are installed in or on the watercraft prior to delivery to and acceptance by the buyer, but only when these parts are sold by the seller of the watercraft. "Component part" means tangible personal property which is attached to and used as an integral part of the operation of the watercraft, even if the item is not required mechanically for the operation of the watercraft. Component parts include, but are not necessarily limited to, motors, navigational equipment, radios, depthfinders, and winches, whether they are permanently attached to the watercraft or held by brackets which are permanently attached. If held by brackets, the brackets must be permanently attached to the watercraft in a definite and secure manner.

These exemptions do not extend to the sale of boat trailers, repair parts, or repair labor. These exemptions also do not extend to a separate seller of unattached component parts, even though these parts may be manufactured specifically for the watercraft and/or permanently installed in or on the watercraft prior to the watercraft being delivered to and accepted by the buyer.

(b) **A one year "use permit" for vessels 30 feet or longer.** RCW 82.08.700 and 82.12.700 provide the retail sales and use tax exemptions for sales of vessels 30 feet or longer to individuals who are nonresidents of Washington.

(i) **Exemption requirements.** The following requirements must be met for an individual to claim these exemptions:

(A) The individual must provide valid proof of nonresidency at the time of purchase;

(B) The vessel purchased must measure at least 30 feet in length; and

(C) The individual must obtain a valid use permit from the vessel dealer authorized to sell use permits.

(ii) **Valid proof of nonresidency.** An individual may prove nonresidency with identification that:

(A) Includes a photograph of the individual;

(B) Is issued by the jurisdiction in which the individual claims residency;

(C) Includes the individual's residential address; and

(D) Is issued for the purpose of establishing an individual's residency in a jurisdiction outside Washington state.

Acceptable identification includes a valid out-of-state driver's license.

(iii) **Use permits.** A use permit is not renewable. It costs $500 for vessels 30 to 50 feet, and $800 for vessels greater than 50 feet in length. The permit includes an affidavit from the buyer declaring that the purchased vessel will be used in a manner consistent with this exemption. The use permit also includes an adhesive sticker (sticker) that must be displayed on the purchased vessel and is valid for 12 consecutive months from the date of purchase. The sticker serves as proof of a validly issued use permit. Vessel dealers are not obligated to issue use permits to any individual. Buyers must elect this exemption irrevocably and may not elect additional exemptions under RCW 82.08.0266 and 82.08.02665 for the same period. Individuals must wait 24 months from the expiration of a use permit before claiming the use tax exemption for their vessel pursuant to RCW 82.12.0251.

(iv) **What are the obligations of vessel dealers?** A vessel dealer electing to issue a use permit under this subsection must:

(A) Examine and determine, in good faith, whether the individual has valid proof of nonresidency.

(B) Use the department's approved use permits. Use permits are available on the department's website at dor.wa.gov.

(C) Retain copies of issued use permits in their records for the statutory period. For information about the statutory period and maintaining records, please refer to WAC 458-20-254.

(D) Provide copies of issued use permits to the department on a quarterly basis. Copies of issued permits must be sent to: Taxpayer Account Administration Division, Department of Revenue, P.O. Box 47476, Olympia, Washington 98504-7476.

(E) Collect, remit, and report use permit fees. Dealers report use permit fees on their excise tax returns and remit in accordance with RCW 82.32.045.

(F) Electronically file all returns, as described in RCW 82.32.080, with the department. Nonelectronically filed returns are not deemed filed unless approved by the department for good cause shown.

(v) **Liability for retail sales tax.**

(A) A nonresident individual may purchase a vessel in Washington without paying retail sales tax and remain in the state for 12 consecutive months, from the date of issuance, by obtaining a use permit under RCW 82.08.700 from the vessel dealer. If the nonresident individual uses that vessel in Washington after the use permit expires, the individual will be liable for retail sales tax on the original selling price of that vessel (along with interest from the date of purchase at the rate provided in RCW 82.32.050).

(B) Vessel dealers are personally liable for retail sales tax if the dealer either does not collect retail sales tax when making sales to individuals without valid identification establishing nonresidency, or fails to maintain records of sales as provided under (b)(iv) of this subsection.

(4) **Deferred retail sales or use tax.** If Washington retail sales tax has not been paid, persons using watercraft on Washington waters are required to report and remit to the department sales tax (commonly referred to as deferred retail sales tax) or use tax, unless the use is specifically exempt by law. A credit against Washington's use tax is allowed for retail sales or use tax previously paid by the user or the user's bailor or donor with respect to the property to any other state of the United States, any political subdivision thereof, the District of Columbia, and any foreign country or political subdivision thereof, prior to the use of the property in Washington. For additional information on use tax refer to WAC 458-20-178.

(a) **Purchased and used within Washington for more than 45 days.** Tax is due on the use by any nonresident of watercraft purchased from a Washington seller and first used within this state for more than 45 days if retail sales or use tax was not paid by the user. Tax is due notwithstanding the watercraft qualified for a retail sales tax exemption at the time of purchase.

(b) **Temporary use.** Use tax does not apply, for the first 60 days, for temporary use or enjoyment of watercraft brought into this state by nonresidents while temporarily within this state.

(i) For watercraft owned by nonresident entities (i.e., corporations, limited liability companies, trusts, partnerships, etc.), it will be presumed that use within Washington exceeding 60 days in any 12-month period is more than temporary use and use tax is due, except as otherwise provided in this rule. For vessels at least 30 feet in length, but no more than 300 feet in length, see subsection (e) of this subsection.

(ii) Nonresident individuals (whether residents of other states or foreign countries) may temporarily bring watercraft into this state for 60 days before they are required to obtain a nonresident vessel permit, from the department of licensing, to continue their use or enjoyment without incurring liability for the use tax. RCW 88.02.620. Such use may not exceed a total of six months in any 12-month period. Eligibility for this six-month exemption period is conditioned on the following requirements:

(A) The watercraft must be issued a valid number under federal law or by an approved authority of the state or county of principal operation, be documented under the laws of a foreign country, or have a valid United States customs service cruising license issued under 19 C.F.R. Sec. 4.94. Failure to meet the applicable documentation and identification requirements will result in a loss of the exemption.

(B) The watercraft must be used in Washington only for the following purposes:

(I) Personal use;

(II) Chartering a vessel with a captain or crew, as long as individual charters are for at least three or more consecutive days in duration, excluding the transit time described in (b)(ii)(B)(III) of this subsection; or

(III) Necessary transit to or from the start or end point of a charter described in (b)(ii)(B)(II) of this subsection.

(c) **Repair, alteration, or reconstruction of watercraft in Washington.** Watercraft owned by nonresidents and in this state exclusively

for repair, alteration, or reconstruction are exempt from the use tax if removed from this state within 60 days. RCW 88.02.570 and 82.12.0251. If repair, alteration, or reconstruction cannot be completed within this period, the exemption may be extended by filing with the department's compliance division an affidavit as required by RCW 88.02.570 verifying the vessel is located on the waters of this state exclusively for repair, alteration, reconstruction, or testing. This document, titled "Nonresident Vessel Repair Affidavit," is effective for 60 days. If additional extensions of the exemption period are needed, additional affidavits must be sent to the department prior to the expiration date. Failure to file this affidavit can result in requiring that the vessel be registered in Washington and subject to the use tax.

(d) **One year "use permit" for nonresident individuals - Use tax exemption for vessels 30 feet or longer.** RCW 82.12.700 provides an exemption from use tax for the purchase of vessels 30 feet or longer used in Washington by nonresident individuals. This exemption is available to nonresident individuals in any of the three following situations: The vessel is purchased from a vessel dealer and a use permit is obtained in accordance with subsection (3)(b) of this rule; the vessel is purchased in Washington from someone other than a vessel dealer and within 14 days of purchase the nonresident individual obtains a use permit under this subsection; the vessel is acquired outside Washington and the nonresident individual, within 14 days of bringing the vessel into Washington, buys a use permit as provided under this subsection. Any vessel dealer that issues permits under subsection (3)(b) of this rule must also issue permits under this subsection.

(i) **What are the obligations of vessel dealers?** Vessel dealers that issue use permits have the same obligations as those described in subsection (3)(b)(iv) of this rule. Vessel dealers may not issue use permits under this subsection where a nonresident individual has already obtained a use permit under subsection (3)(b) of this rule.

(ii) **Valid proof of nonresidency.** Nonresident individuals must meet the same identification requirements described in subsection (3)(b)(ii) of this rule.

(iii) **Use permits.** The use permit is not renewable and costs $500 for vessels 30 to 50 feet and $800 for vessels greater than 50 feet in length. This use permit must be displayed on the vessel and is valid for 12 consecutive months from the date of issuance. Nonresident individuals must obtain a use permit from a vessel dealer; however, vessel dealers are not obligated to issue these use permits. Nonresident individuals must elect this exemption irrevocably and may not elect exemption under RCW 82.08.0266 and 82.08.02665 for the same period. The nonresident individual must wait 24 consecutive months from the expiration of a use permit before claiming exemption for a vessel under RCW 82.12.0251.

(iv) **Liability for use tax.**

(A) If a nonresident individual's vessel is in Washington after their use permit expires, that individual is liable for use tax under RCW 82.12.020. Liability for use tax will be based on the value of the vessel at the time it was either purchased or first brought into Washington. Interest will accrue from the date of purchase or first use in Washington at a rate set by RCW 82.32.050.

(B) Vessel dealers are personally liable for use tax where a dealer either issues a use permit to a nonresident individual who does not hold valid proof of nonresidency, or fails to maintain records for

each use permit issued showing the type of identification accepted, the identification numbers, and expiration date.

(e) **Permits for nonresident entity owned vessels 30 feet - 300 feet.** A nonresident entity vessel owner that is not a natural person, or a nonresident vessel owner who is a natural person who intends to charter the vessel with a captain or crew as described in (b)(ii)(B)(II) of this subsection, may qualify to receive a nonresident vessel permit from the department of licensing under RCW 88.02.620.

(i) This permit applies only to vessels at least 30 feet in length, but no more than 300 feet in length.

(ii) An application must be filed, prior to the 61st day of use in this state, to obtain a nonresident vessel permit. Application must be made directly to the department for written approval in accordance with RCW 82.32.865.

(iii) To qualify, no Washington resident may own the vessel or be a principal of the nonresident entity. For the purpose of this subsection, "principal" means a natural person that owns, directly or indirectly, including through any tiered ownership structure, more than a one percent interest in the nonresident person applying for a nonresident vessel permit.

(iv) The "Nonresident Vessel Permit Approval Application" can be found on the department's website at dor.wa.gov.

(5) **Examples.** In all applicable examples, retailing B&O tax is due from the seller for all sales of watercraft and parts, and all charges for repair parts and labor.

(a) **Example 1.** Mr. Kelley, a resident of California, pilots his cabin cruiser that is registered in that state into Puget Sound for his enjoyment. On the 60th day of his stay, Mr. Kelley obtains a 60-day nonresident vessel permit for the cabin cruiser under RCW 88.02.620 from the department of licensing. To further extend his stay in Washington waters, he applies for a second permit within the prescribed period. In the middle of his fifth month on Puget Sound, Mr. Kelley departs and returns the cabin cruiser to its home port in California. The stay would not subject Mr. Kelley to use tax. The same would be true if Mr. Kelley were a resident of Vancouver, British Columbia, with a cabin cruiser registered in Canada, as long as he timely obtains and displays the permit required by RCW 88.02.570 and 88.02.620 to allow his temporary use of the cabin cruiser in Washington.

(b) **Example 2.** Company A sells a yacht to John Doe, an Oregon resident, who takes delivery in Washington. The yacht is required to be registered by the state of Oregon. The vessel is removed from Washington waters within 45 days of delivery. Company A examines a driver's license confirming John Doe is an Oregon resident, and records this information in the sales file. Company A does not complete and retain the required exemption certificate.

The sale of the yacht is subject to the retail sales tax. The exclusive authority for granting a retail sales tax exemption for this sale is provided by RCW 82.08.0266. Completion of an exemption certificate is a statutorily imposed condition for obtaining this exemption. Company A has not satisfied the conditions and requirements necessary to grant an exemption under this statute. The exemption provisions under RCW 82.08.0273 for sales to nonresidents of states having less than three percent retail sales tax may not be used for purchases of vessels which require United States Coast Guard documentation, or registration in the state of principal use. If the exemption certificate

had been properly completed at the time of sale, this sale would have qualified for the retail sales tax exemption.

(c) **Example 3.** Mr. Jones, a California resident, contracts Company B to manufacture a pleasure yacht. Mr. Jones purchases a boat motor from Company Y with instructions that delivery be made to Company B for installation on the yacht. The yacht is required to be registered with the state of California, which has assumed the registration and numbering function under the Federal Boating Act of 1958. Company B examines Mr. Jones' driver's license to verify Mr. Jones is a nonresident of Washington, and retains the proper exemption certificate at the time of sale. Delivery is made in Washington, and Mr. Jones removes the yacht from Washington waters within 45 days of delivery.

The sale of the yacht by Company B to Mr. Jones is not subject to the retail sales tax, as the requirements and conditions for exemption have been satisfied. Retail sales tax does apply to the sale of the motor by Company Y to Mr. Jones. The exemption provided by RCW 82.08.0266 does not extend to a separate seller of unattached component parts, even though the parts are installed in the yacht prior to delivery.

(d) **Example 4.** Mr. Smith, a resident of British Columbia, Canada, brings his yacht into Washington with the intention of temporarily using the yacht for personal enjoyment. Mr. Smith obtains the required 60-day nonresident vessel permit issued by the department of licensing. After four months of personal use, the yacht experiences mechanical difficulty. The yacht is taken to a repair facility and due to the extensive nature of the damage the yacht remains at the repair facility for six months being repaired. As explained in subsection (4)(c) of this rule, Mr. Smith timely files each required "Nonresident Vessel Repair Affidavit." An employee of the repair facility is on board the yacht during all testing, and there is no personal use by Mr. Smith during this period. Upon completion of the repairs and testing, Mr. Smith takes delivery at the repair facility.

Mr. Smith obtains a second 60-day nonresident vessel permit so he may personally use the yacht in Washington waters for up to two months after taking delivery of the repaired yacht. He will not incur liability for use tax because the instate use of the yacht for personal enjoyment will not exceed six months in a 12-month period. The time the yacht is at the repair facility exclusively for repair does not count against the period of time Mr. Smith is considered to be "temporarily" using the yacht in Washington for personal enjoyment because he properly filed the repair affidavit with the department. Retail sales tax is due, and must be paid, on all charges for repair parts and labor. The exemption from sales tax for purchases of vessels does not extend to repairs.

[Statutory Authority: RCW 82.32.865, 82.32.300, and 82.01.060. WSR 26-06-032, s 458-20-238, filed 2/23/26, effective 3/26/26; WSR 22-04-022, § 458-20-238, filed 1/24/22, effective 2/24/22. Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 16-12-068, § 458-20-238, filed 5/27/16, effective 6/27/16. Statutory Authority: RCW 82.32.300, 82.01.060(2), 82.08.0266, and 82.08.02665. WSR 08-14-022, § 458-20-238, filed 6/20/08, effective 7/21/08. Statutory Authority: RCW 82.32.300. WSR 00-23-003, § 458-20-238, filed 11/1/00, effective 12/2/00; WSR 95-24-103, § 458-20-238, filed 12/6/95, effective 1/6/96; WSR 83-21-061 (Order ET 83-7), § 458-20-238, filed 10/17/83; WSR 83-08-026 (Order ET 83-1), § 458-20-238, filed 3/30/83; Order ET 70-3, § 458-20-238 (Rule 238), filed 5/29/70, effective 7/1/70.]