
SUBSTITUTE SENATE BILL 5007

State of Washington

60th Legislature

2007 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Jacobsen and McCaslin)

READ FIRST TIME 02/08/07.

1 AN ACT Relating to the sales and use taxation of vessels; amending
2 RCW 88.02.030; adding a new section to chapter 82.08 RCW; adding a new
3 section to chapter 82.12 RCW; providing an effective date; and
4 declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
7 to read as follows:

8 (1) The tax levied by RCW 82.08.020 does not apply to sales to
9 nonresident individuals of vessels thirty feet or longer if an
10 individual purchasing a vessel purchases and displays a valid use
11 permit.

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

15 (b) Acceptable proof of a nonresident individual's status includes
16 one piece of identification such as a valid driver's license from the
17 jurisdiction in which the out-of-state residency is claimed or a valid
18 identification card that has a photograph of the holder and is issued
19 by the out-of-state jurisdiction. Identification under this subsection

1 (2)(b) must show the holder's residential address and have as one of
2 its legal purposes the establishment of residency in that out-of-state
3 jurisdiction.

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

15 (4) A vessel dealer shall issue a use permit to a buyer if the
16 dealer is satisfied that the buyer is a nonresident. The use permit
17 shall be in a form and manner required by the department and shall
18 include an affidavit, signed by the purchaser, declaring that the
19 vessel will be used in a manner consistent with this section. The fee
20 for the issuance of a use permit is five hundred dollars for vessels
21 fifty feet in length or less and eight hundred dollars for vessels
22 greater than fifty feet in length. Funds collected under this section
23 and section 2 of this act shall be reported on the dealer's excise tax
24 return and remitted to the department in accordance with RCW 82.32.045.
25 The department shall transmit the fees to the state treasurer to be
26 deposited in the state general fund. The use permit must be displayed
27 on the vessel and is valid for twelve consecutive months from the date
28 of issuance. A use permit is not renewable. A purchaser at the time
29 of purchase must make an irrevocable election to take the exemption
30 authorized in this section or the exemption in either RCW 82.08.0266 or
31 82.08.02665. A vessel dealer must maintain a copy of the use permit
32 for the dealer's records. Vessel dealers must provide copies of use
33 permits issued by the dealer under this section and section 2 of this
34 act to the department on a quarterly basis.

35 (5) A nonresident who claims an exemption under this section and
36 who uses a vessel in this state after his or her use permit for that
37 vessel has expired is liable for the tax imposed under RCW 82.08.020 on
38 the original selling price of the vessel and shall pay the tax directly

1 to the department. Interest at the rate provided in RCW 82.32.050
2 applies to amounts due under this subsection, retroactively to the date
3 the vessel was purchased, and accrues until the full amount of tax due
4 is paid to the department.

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

10 (7) Chapter 82.32 RCW applies to the administration of the fee
11 imposed in this section and section 2 of this act.

12 (8) A vessel dealer that issues use permits under this section and
13 section 2 of this act must file with the department all returns in an
14 electronic format as provided or approved by the department. As used
15 in this subsection, "returns" has the same meaning as "return" in RCW
16 82.32.050.

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

20 (b) The electronic filing requirement in this subsection ends when
21 a vessel dealer no longer issues use permits, and the dealer has
22 electronically filed all of its returns reporting the fees collected
23 under this section and section 2 of this act.

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

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
27 to read as follows:

28 (1) The provisions of this chapter do not apply in respect to the
29 use of a vessel thirty feet or longer if a nonresident individual:

30 (a) Purchased the vessel from a vessel dealer in accordance with
31 section 1 of this act;

32 (b) Purchased the vessel in the state from a person other than a
33 vessel dealer, but the nonresident individual purchases and displays a
34 valid use permit from a vessel dealer under this section within
35 fourteen days of the date that the vessel is purchased in this state;
36 or

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

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

21 (3)(a) Except as provided in (b) of this subsection, a nonresident
22 who claims an exemption under this section and who uses a vessel in
23 this state after his or her use permit for that vessel has expired is
24 liable for the tax imposed under RCW 82.12.020 based on the value of
25 the vessel at the time that the vessel was either purchased in this
26 state under circumstances in which the exemption under section 1 of
27 this act did not apply or was first brought into this state, as the
28 case may be. Interest at the rate provided in RCW 82.32.050 applies to
29 amounts due under this subsection, retroactively to the date that the
30 vessel was purchased in this state or first brought into the state, and
31 accrues until the full amount of tax due is paid to the department.

32 (b) A nonresident individual who is exempt under both this section
33 and section 1 of this act and who uses a vessel in this state after his
34 or her use permit for that vessel expires is liable for tax and
35 interest as provided in section 1(5) of this act.

36 (4) Any vessel dealer that issues a use permit to an individual who
37 does not hold valid identification establishing out-of-state residency,
38 and any dealer that fails to maintain records for each use permit

1 issued that shows the type of proof accepted, including any
2 identification numbers where appropriate, and the expiration date, if
3 any, is personally liable for the amount of tax due.

4 **Sec. 3.** RCW 88.02.030 and 2002 c 286 s 12 are each amended to read
5 as follows:

6 Vessel registration is required under this chapter except for the
7 following:

8 (1) Military or public vessels of the United States, except
9 recreational-type public vessels;

10 (2) Vessels owned by a state or subdivision thereof, used
11 principally for governmental purposes and clearly identifiable as such;

12 (3) Vessels either (a) registered or numbered under the laws of a
13 country other than the United States; or (b) having a valid United
14 States customs service cruising license issued pursuant to 19 C.F.R.
15 Sec. 4.94. On or before the sixty-first day of use in the state, any
16 vessel in the state under this subsection shall obtain an
17 identification document from the department of licensing, its agents,
18 or subagents indicating when the vessel first came into the state. At
19 the time of any issuance of an identification document, a thirty dollar
20 identification document fee shall be paid by the vessel owner to the
21 department of licensing for the cost of providing the identification
22 document by the department of licensing. Five dollars from each such
23 transaction must be deposited in the derelict vessel removal account
24 created in RCW 79.100.100. Any moneys remaining from the fee after the
25 payment of costs and the deposit to the derelict vessel removal account
26 shall be allocated to counties by the state treasurer for approved
27 boating safety programs under RCW 88.02.045. The department of
28 licensing shall adopt rules to implement its duties under this
29 subsection, including issuing and displaying the identification
30 document and collecting the thirty dollar fee;

31 (4) Vessels that have been issued a valid number under federal law
32 or by an approved issuing authority of the state of principal
33 operation. However, a vessel that is validly registered in another
34 state but that is removed to this state for principal use is subject to
35 registration under this chapter. The issuing authority for this state
36 shall recognize the validity of the numbers previously issued for a
37 period of sixty days after arrival in this state;

1 (5) Vessels owned by a nonresident if the vessel is located upon
2 the waters of this state exclusively for repairs, alteration, or
3 reconstruction, or any testing related to the repair, alteration, or
4 reconstruction conducted in this state if an employee of the repair,
5 alteration, or construction facility is on board the vessel during any
6 testing. However, any vessel owned by a nonresident is located upon
7 the waters of this state exclusively for repairs, alteration,
8 reconstruction, or testing for a period longer than sixty days, that
9 the nonresident shall file an affidavit with the department of revenue
10 verifying the vessel is located upon the waters of this state for
11 repair, alteration, reconstruction, or testing and shall continue to
12 file such affidavit every sixty days thereafter, while the vessel is
13 located upon the waters of this state exclusively for repairs,
14 alteration, reconstruction, or testing;

15 (6) Vessels equipped with propulsion machinery of less than ten
16 horsepower that:

17 (a) Are owned by the owner of a vessel for which a valid vessel
18 number has been issued;

19 (b) Display the number of that numbered vessel followed by the
20 suffix "1" in the manner prescribed by the department; and

21 (c) Are used as a tender for direct transportation between that
22 vessel and the shore and for no other purpose;

23 (7) Vessels under sixteen feet in overall length which have no
24 propulsion machinery of any type or which are not used on waters
25 subject to the jurisdiction of the United States or on the high seas
26 beyond the territorial seas for vessels owned in the United States and
27 are powered by propulsion machinery of ten or less horsepower;

28 (8) Vessels with no propulsion machinery of any type for which the
29 primary mode of propulsion is human power;

30 (9) Vessels primarily engaged in commerce which have or are
31 required to have a valid marine document as a vessel of the United
32 States. Commercial vessels which the department of revenue determines
33 have the external appearance of vessels which would otherwise be
34 required to register under this chapter, must display decals issued
35 annually by the department of revenue that indicate the vessel's exempt
36 status;

37 (10) Vessels primarily engaged in commerce which are owned by a
38 resident of a country other than the United States; ((and))

1 (11) (~~On and after January 1, 1998,~~) Vessels owned by a
2 nonresident individual brought into the state for his or her use or
3 enjoyment while temporarily within the state for not more than six
4 months in any continuous twelve-month period, unless the vessel is used
5 in conducting a nontransitory business activity within the state.
6 However, the vessel must have been issued a valid number under federal
7 law or by an approved issuing authority of the state of principal
8 operation. On or before the sixty-first day of use in the state, any
9 vessel temporarily in the state under this subsection shall obtain an
10 identification document from the department of licensing, its agents,
11 or subagents indicating when the vessel first came into the state. An
12 identification document shall be valid for a period of two months. At
13 the time of any issuance of an identification document, a twenty-five
14 dollar identification document fee shall be paid by the vessel owner to
15 the department of licensing for the cost of providing the
16 identification document by the department of licensing. Any moneys
17 remaining from the fee after payment of costs shall be allocated to
18 counties by the state treasurer for approved boating safety programs
19 under RCW 88.02.045. The department of licensing shall adopt rules to
20 implement its duties under this subsection, including issuing and
21 displaying the identification document and collecting the twenty-five
22 dollar fee; and

23 (12) Vessels used in this state by a nonresident individual
24 possessing a valid use permit issued under section 1 or 2 of this act.

25 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
26 preservation of the public peace, health, or safety, or support of the
27 state government and its existing public institutions, and takes effect
28 July 1, 2007.

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