

HOUSE BILL REPORT

HB 1681

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to increasing jobs in the maritime trades industry.

Brief Description: Increasing jobs in the maritime trades industry.

Sponsors: Representatives Tharinger, Wilcox, Van De Wege, Orcutt, Ryu, Tarleton, Fitzgibbon, Blake, Reykdal, Walkinshaw, Lytton, Moscoso and Santos.

Brief History:

Committee Activity:

Technology & Economic Development: 2/4/15, 2/19/15 [DP].

Brief Summary of Bill

- Establishes a vessel permit by which certain nonresident-owned vessels may operate in state waters for an additional 60 days, subsequent to the first 60 days, which require no permit.
- Assigns issuance of the permit to the Department of Licensing, but requires written approval by the Department of Revenue.
- Authorizes nonresident owners to purchase a maximum of two permits in a 12-month period.
- Waives the use tax for non-resident owned vessels operating under the vessel permit, if the Department of Revenue determines that the non-resident entity is in full compliance with the permitting requirements.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 13 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Fey, Harmsworth, Hudgins, Magendanz, Nealey, Ryu, Santos, Wylie and Young.

Staff: Kirsten Lee (786-7133).

Background:

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

Retail Sales and Use Tax.

Retail sales and use taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Vessel Permits.

A nonresident (individual or business entity) is not required to obtain a permit from the Department of Licensing to bring a vessel onto Washington waters if the vessel is in Washington for 60 days or less and is currently registered in another state or the vessel has a current United States Coast Guard Documentation paper.

If a vessel owner is a nonresident individual and will be operating a vessel on Washington waters for more than 60 days, use tax is due, unless the owner applies for a vessel permit on or before the 60th day of the visit to remain in the state for an additional 60 days. The person may renew the vessel permit once for an additional 60 days. When the renewed permit expires, the vessel owner must either register the boat in Washington or remove the boat from Washington waters.

A nonresident business entity owning a vessel is not eligible to receive a vessel permit before or after the 60 day period.

Tax Preferences.

In 2013 the legislation was enacted requiring all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. Under the legislation, new tax preferences expire in 10 years, unless an alternate date is provided.

Summary of Bill:

Nonresident entity-owned vessels, between 30 and 120 feet, qualify to purchase a vessel permit to operate a vessel in Washington waters for an additional 60 days subsequent to the unpermitted first 60 days. Owners may purchase two permits in a 12-month period.

Nonresident entity-owned vessels that purchase two permits may cruise Washington waters for a total of 180 consecutive days.

The permit fee for nonresident entity owned vessels is based on the length of the vessel. If the vessel length is:

- 30 to 59 feet then the fee is \$50 per foot;
- 60 to 99 feet then the fee is \$75 per foot; or

- 100 to 120 feet then the fee is \$125 per foot.

Vessels over 120 feet do not qualify.

The permit is issued by the Department of Licensing, but the owner must first apply for the permit through the Department of Revenue. A principal of the nonresident entity-owned vessel must sign an affidavit certifying that no Washington residents are principals of the vessel owner. A principal, for this purpose is defined as a natural person that owns, directly or indirectly, including through any tiered ownership structure, more than a 1 percent interest in the nonresident person applying for a nonresident vessel permit.

If a nonresident entity-owned vessel owner applies and receives a vessel permit to operate a vessel on Washington waters past the 60-day period and the Department of Revenue finds that the entity is in full compliance of the permitting requirements, use tax will be waived.

Permits for nonresident entity-owned vessels may not be issued after December 31, 2025.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2016.

Staff Summary of Public Testimony:

(In support) The goal of this bill is to incentivize marine trades in Washington and avoid losing business to other locations. In order to reduce the fiscal note, the legislation was tailored to boats of a certain length. A boat owner may only stay 60 days in Washington waters before they have to pay 10 percent on the value of their boat to continue to stay in Washington waters. This has a negative impact for boat owners to maintain their boats in Washington. When boat owners leave at the 60-day mark, Washington is losing approximately \$30 million. Keeping boat owners in Washington would increase jobs and retail sales. Performance metrics are included in the legislation. Various parties would like to see larger vessels included in the legislation.

(Opposed) None.

Persons Testifying: Representative Tharinger, prime sponsor; Brandi Vena, Washington Public Parts Association; Peter Schrappen, Northwest Marine Trade Association; Sterlin Hines, Sterling Marine; and Craig Perry, Delin Docks Marina.

Persons Signed In To Testify But Not Testifying: None.