
SENATE BILL 5383

State of Washington

65th Legislature

2017 Regular Session

By Senators Bailey, Angel, Takko, and Hobbs

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
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12
4 RCW; creating a new section; providing an effective date; and
5 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
11 marine-related state accounts. According to a 2010 joint legislative
12 audit 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
15 dollars of which was deposited in the state's general fund.
16 Additionally, Washington received revenue from more boating-related
17 sources than any other jurisdiction contributing to the study.

18 (2) However, between 2006 and 2011 Washington's recreational
19 marine industry incurred heavy losses both in terms of sales revenue
20 and drops in employment, jeopardizing its ability to continue
21 generating revenue for the state and creating jobs for Washington

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

10 (3) It is the legislature's intent that this act increase
11 employment and enhance the state's economy by encouraging boaters to
12 call Washington their homeport. The legislature finds that the
13 increased presence of larger recreational vessels in marine districts
14 throughout the state will contribute significant revenue to the
15 jurisdictions in which the vessels are moored and remove
16 disincentives that discourage Washington resident boaters from
17 purchasing, using, and mooring their recreational vessels in
18 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,
23 Washington's high use tax rate, relative to its neighboring states
24 and Canada, creates a disincentive for nonresident pleasure boaters
25 to choose Washington as a location to moor and use large recreational
26 vessels. As a result of these high taxes, Washington suffered
27 decreased revenues from sales and use taxes, excise taxes, and vessel
28 registration fees that could have been collected from large
29 recreational vessels that would have otherwise been located or
30 purchased in this state.

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

1 associated with the presence of large recreational vessels in
2 Washington waters.

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

5 (1) The state portion of the tax collected under RCW 82.08.020
6 may be no more than nineteen thousand five hundred dollars on the
7 sale of a vessel.

8 (2) If a buyer claims the exemption under this section, but the
9 watercraft is used in a manner inconsistent with the definition of
10 vessel, the taxpayer is not eligible for the exemption and is liable
11 for any additional tax that would be otherwise owed, but for the
12 exemption claimed under this section. The buyer must pay the
13 additional tax due under this subsection (2), along with any
14 applicable penalties and interest under chapter 82.32 RCW, directly
15 to the department. For purposes of the tax imposed under this
16 subsection, the limitation period on assessments in RCW 82.32.050
17 begins to run from the date that the watercraft is first used in a
18 manner inconsistent with the definition of vessel in this section.

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

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

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

31 (2) The exemption provided in this section does not apply to the
32 portion of state tax owed under section 2 of this act.

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

36 (b) Acceptable proof of a nonresident individual's status
37 includes one piece of identification such as a valid driver's license
38 from the jurisdiction in which the out-of-state residency is claimed

1 or a valid identification card that has a photograph of the holder
2 and is issued by the out-of-state jurisdiction. Identification under
3 this subsection ~~((+2))~~ (3)(b) must show the holder's residential
4 address and have as one of its legal purposes the establishment of
5 residency in that out-of-state jurisdiction.

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

17 ~~((+4))~~ (5) A vessel dealer ~~((shall))~~ must issue a use permit to
18 a buyer if the dealer is satisfied that the buyer is a nonresident.
19 The use permit must be in a form and manner required by the
20 department and must include an affidavit, signed by the purchaser,
21 declaring that the vessel will be used in a manner consistent with
22 this section. The fee for the issuance of a use permit is five
23 hundred dollars for vessels fifty feet in length or less and eight
24 hundred dollars for vessels greater than fifty feet in length. Funds
25 collected under this section and RCW 82.12.700 must be reported on
26 the dealer's excise tax return and remitted to the department in
27 accordance with RCW 82.32.045. The department must transmit the fees
28 to the state treasurer to be deposited in the state general fund. The
29 use permit must be displayed on the vessel and is valid for twelve
30 consecutive months from the date of issuance. A use permit is not
31 renewable. A purchaser at the time of purchase must make an
32 irrevocable election to take the exemption authorized in this section
33 or the exemption in either RCW 82.08.0266 or 82.08.02665. A vessel
34 dealer must maintain a copy of the use permit for the dealer's
35 records. Vessel dealers must provide copies of use permits issued by
36 the dealer under this section and RCW 82.12.700 to the department on
37 a quarterly basis.

38 ~~((+5))~~ (6) A nonresident who claims an exemption under this
39 section and who uses a vessel in this state after his or her use
40 permit for that vessel has expired is liable for the tax imposed

1 under RCW 82.08.020 on the original selling price of the vessel and
2 must pay the tax directly to the department. Interest at the rate
3 provided in RCW 82.32.050 applies to amounts due under this
4 subsection, retroactively to the date the vessel was purchased, and
5 accrues until the full amount of tax due is paid to the department.

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

11 ~~((+7+))~~ (8) Chapter 82.32 RCW applies to the administration of
12 the fee imposed in this section and RCW 82.12.700.

13 ~~((+8+))~~ (9) A vessel dealer that issues use permits under this
14 section and RCW 82.12.700 must file with the department all returns
15 in an electronic format as provided or approved by the department. As
16 used in this subsection, "returns" has the same meaning as "return"
17 in RCW 82.32.050.

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

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

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

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

29 (1) The state portion of the tax collected under RCW 82.12.020
30 may be no more than nineteen thousand five hundred dollars on the
31 sale of a vessel.

32 (2) If a buyer claims the exemption under this section, but the
33 watercraft is used in a manner inconsistent with the definition of
34 vessel, the taxpayer is not eligible for the exemption and is liable
35 for any additional tax that would be otherwise owed, but for the
36 exemption claimed under this section. The buyer must pay the
37 additional tax due under this subsection (2), along with any
38 applicable penalties and interest under chapter 82.32 RCW, directly
39 to the department. This subsection does not apply to a taxpayer with

1 respect to the use of a watercraft, if the taxpayer is subject to the
2 additional tax due in section 2(2) of this act with respect to the
3 watercraft. For purposes of the tax imposed under this subsection,
4 the limitation period on assessments in RCW 82.32.050 begins to run
5 from the date that the watercraft is first used in a manner
6 inconsistent with the definition of vessel in this section.

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

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

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

15 (a) Purchased the vessel from a vessel dealer in accordance with
16 RCW 82.08.700;

17 (b) Purchased the vessel in the state from a person other than a
18 vessel dealer, but the nonresident individual purchases and displays
19 a valid use permit from a vessel dealer under this section within
20 fourteen days of the date that the vessel is purchased in this state;
21 or

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

26 (2) The exemption provided in subsection (1) of this section does
27 not apply to the use of a vessel, as defined in section 2 of this
28 act, in respect to the first nineteen thousand five hundred dollars
29 of tax owed under RCW 82.12.020 on the value of a vessel.

30 (3) Any vessel dealer that makes tax exempt sales under RCW
31 82.08.700 (~~shall~~) must issue use permits under this section. A
32 vessel dealer shall issue a use permit under this section if the
33 dealer is satisfied that the individual purchasing the permit is a
34 nonresident. The use permit is valid for twelve consecutive months
35 from the date of issuance. A use permit is not renewable, and an
36 individual may only purchase one use permit for a particular vessel.
37 A person who has been issued a use permit under RCW 82.08.700 for a
38 particular vessel may not purchase a use permit under this section
39 for the same vessel after the use permit issued under RCW 82.08.700

1 expires. All other requirements and conditions, not inconsistent with
2 the provisions of this section, relating to use permits in RCW
3 82.08.700, apply to use permits under this section. A person may not
4 claim an exemption under RCW 82.12.0251(1) within twenty-four months
5 after a use permit, issued under this section or RCW 82.08.700, for
6 the same vessel, has expired.

7 ~~((3))~~ (4)(a) Except as provided in (b) of this subsection, a
8 nonresident who claims an exemption under this section and who uses a
9 vessel in this state after his or her use permit for that vessel has
10 expired is liable for the tax imposed under RCW 82.12.020 based on
11 the value of the vessel at the time that the vessel was either
12 purchased in this state under circumstances in which the exemption
13 under RCW 82.08.700 did not apply or was first brought into this
14 state, as the case may be. Interest at the rate provided in RCW
15 82.32.050 applies to amounts due under this subsection, retroactively
16 to the date that the vessel was purchased in this state or first
17 brought into the state, and accrues until the full amount of tax due
18 is paid to the department.

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

23 ~~((4))~~ (5) Any vessel dealer that issues a use permit to an
24 individual who does not hold valid identification establishing out-
25 of-state residency, and any dealer that fails to maintain records for
26 each use permit issued that shows the type of proof accepted,
27 including any identification numbers where appropriate, and the
28 expiration date, if any, is personally liable for the amount of tax
29 due.

30 NEW SECTION. **Sec. 6.** This act expires August 1, 2022.

31 NEW SECTION. **Sec. 7.** This act takes effect August 1, 2017.

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