
HOUSE BILL 1681

State of Washington

64th Legislature

2015 Regular Session

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

Read first time 01/26/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to increasing jobs in the maritime trades
2 industry; amending RCW 88.02.620, 88.02.640, and 88.02.570; adding a
3 new section to chapter 82.32 RCW; creating a new section; and
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** (1)(a) The legislature finds that a robust
7 maritime industry is crucial for the state's economic vitality. The
8 legislature further finds that:

9 (i) The joint task force for economic resilience of maritime and
10 manufacturing established policy goals to continue efforts towards
11 developing a robust maritime industry in the state;

12 (ii) The maritime industry has a direct and indirect impact on
13 jobs in the state;

14 (iii) Many of the cities and towns impacted by the maritime
15 industry are often small with limited resources to encourage economic
16 growth, heavily relying on the maritime industry for local jobs and
17 revenues in the community;

18 (iv) Keeping Washington competitive with other cruising
19 destinations is essential to continue to build a robust maritime
20 economy in the state; and

1 (v) Tax incentives are an imperative component to improve the
2 state's overall competitiveness in this sector.

3 (b) Therefore, the legislature intends to:

4 (i) Bolster the maritime industry in the state by incentivizing
5 larger vessel owners to use Washington waters for recreational
6 boating to increase economic activity and jobs in coastal communities
7 and inland water regions of the state;

8 (ii) Achieve this objective in a fiscally responsible manner and
9 require analysis of specific metrics to ensure valuable state
10 resources are being used to accomplish the intended goal; and

11 (iii) Provide limited, short-term tax relief to entity-owned
12 nonresident vessel owners that currently are not afforded the same
13 benefits as other nonresident vessel owners.

14 (2)(a) This subsection is the tax preference performance
15 statement for the entity-owned nonresident vessel tax preference
16 established in section 3 of this act. The performance statement is
17 only intended to be used for subsequent evaluation of the tax
18 preference. It is not intended to create a private right of action by
19 any party or be used to determine eligibility for preferential tax
20 treatment.

21 (b) The legislature categorizes this tax preference as one
22 intended to accomplish the purposes indicated in RCW 82.32.808(2)(c)
23 and one intended to improve the state's competitiveness with other
24 nearby cruising destinations.

25 (c) It is the legislature's specific public policy objective to
26 increase economic activity and jobs related to the maritime industry
27 by providing a tax preference for large entity-owned nonresident
28 vessels to increase the length of time these vessels cruise
29 Washington waters in turn strengthening the maritime economy in the
30 state.

31 (d) To measure the effectiveness of the tax preference provided
32 in this act in achieving the public policy objective in (c) of this
33 subsection, the joint legislative audit and review committee must
34 provide the following in a published evaluation of this tax
35 preference by December 31, 2022:

36 (i) A comparison of the gross and taxable revenue generated by
37 businesses that sell or provide maintenance or repair of vessels,
38 prior to and after the enactment of this tax preference;

39 (ii) Analysis of retail sales taxes collected from the restaurant
40 and service industries in coastal and inlet coastal jurisdictions,

1 for both counties and cities, for periods prior to and after the
2 enactment of this tax preference;

3 (iii) Employment and wage trends for businesses described in
4 (d)(i) and (ii) of this subsection, for periods prior to and after
5 the enactment of this tax preference;

6 (iv) Descriptive statistics for the number of permits sold each
7 year in addition to the following information:

8 (A) The cost for each permit by strata of vessel length;

9 (B) The jurisdiction of ownership for the nonresident vessel; and

10 (C) The amount of use tax that would have been due based on the
11 estimated value of the vessel;

12 (v) A comparison of the number of registered entity-owned and
13 individually owned vessels registered in Washington prior to and
14 after the enactment of this tax preference; and

15 (vi) Data and analysis for Washington's main cruising destination
16 competitors, specifically looking at tax preferences provided in
17 those jurisdictions, vessel industry income data, and any additional
18 relevant information to compare Washington's maritime climate with
19 its competitors.

20 (e) The provision of RCW 82.32.808(5) does not apply to this tax
21 preference.

22 **Sec. 2.** RCW 88.02.620 and 2011 c 171 s 133 are each amended to
23 read as follows:

24 (1) A vessel owner who is a nonresident (~~((natural))~~) person
25 (~~((shall apply for))~~) must obtain a nonresident vessel permit on or
26 before the sixty-first day of use in Washington state if the vessel:

27 (a) Is currently registered or numbered under the laws of the
28 state of principal operation or has been issued a valid number under
29 federal law; and

30 (b) Has been brought into Washington state for personal use for
31 not more than six months in any continuous twelve-month period.

32 (2) In addition to the requirements in subsection (1) of this
33 section, a nonresident vessel owner that is not a natural person may
34 only obtain a nonresident vessel permit if:

35 (a) The vessel is at least thirty feet in length, but no more
36 than one hundred twenty feet in length;

37 (b) No Washington state resident is a principal, as defined in
38 section 5 of this act, of the nonresident person; and

1 (c) The department of revenue has provided the nonresident vessel
2 owner written approval authorizing the permit as provided in section
3 4 of this act.

4 (3) A nonresident vessel permit:

5 (a) May be obtained from the department, county auditor or other
6 agent, or subagent appointed by the director;

7 (b) Must show the date the vessel first came into Washington
8 state; (~~and~~)

9 (c) Is valid for two months; and

10 (d) May not be issued after December 31, 2025, to a nonresident
11 vessel owner that is not a natural person.

12 (~~(3)~~) (4) The department, county auditor or other agent, or
13 subagent appointed by the director (~~shall~~) must collect the fee
14 required in RCW 88.02.640(1)(~~h~~) (i) when issuing nonresident
15 vessel permits.

16 (~~(4)~~) (5) A nonresident vessel permit is not required under
17 this section if the vessel is used in conducting temporary business
18 activity within Washington state.

19 (~~(5)~~) (6) For any permits issued under this section to a
20 nonresident vessel owner that is not a natural person, the department
21 must maintain a record of the following information and provide it to
22 the department of revenue quarterly or as otherwise mutually agreed
23 to by the department and department of revenue:

24 (a) The name of the record owner of the vessel;

25 (b) The vessel's hull identification number;

26 (c) The amount of the fee paid under RCW 88.02.640(5);

27 (d) The date the vessel first entered the waters of this state;

28 (e) The expiration date for the permit; and

29 (f) Any other information mutually agreed to by the department
30 and department of revenue.

31 (7) The department (~~shall~~) must adopt rules to implement this
32 section, including rules on issuing and displaying the nonresident
33 vessel permit.

34 **Sec. 3.** RCW 88.02.640 and 2013 c 291 s 1 are each amended to
35 read as follows:

36 (1) In addition to any other fees and taxes required by law, the
37 department, county auditor or other agent, or subagent appointed by
38 the director shall charge the following vessel fees and surcharge:

FEE	AMOUNT	AUTHORITY	DISTRIBUTION
(a) Dealer temporary permit	\$5.00	RCW 88.02.800(2)	General fund
(b) Derelict vessel and invasive species removal	Subsection (3) of this section	Subsection (3) of this section	Subsection (3) of this section
(c) Derelict vessel removal surcharge	\$1.00	Subsection (4) of this section	Subsection (4) of this section
(d) Duplicate certificate of title	\$1.25	RCW 88.02.530(1)(c)	General fund
(e) Duplicate registration	\$1.25	RCW 88.02.590(1)(c)	General fund
(f) Filing	RCW 46.17.005	RCW 88.02.560(2)	RCW 46.68.400
(g) License plate technology	RCW 46.17.015	RCW 88.02.560(2)	RCW 46.68.370
(h) License service	RCW 46.17.025	RCW 88.02.560(2)	RCW 46.68.220
(i) Nonresident vessel permit	(\$25.00) <u>Subsection (5) of this section</u>	RCW 88.02.620((3)) <u>(4)</u>	Subsection (5) of this section
(j) Quick title service	\$50.00	RCW 88.02.540(3)	Subsection (7) of this section
(k) Registration	\$10.50	RCW 88.02.560(2)	RCW 88.02.650
(l) Replacement decal	\$1.25	RCW 88.02.595(1)(c)	General fund
(m) Title application	\$5.00	RCW 88.02.515	General fund
(n) Transfer	\$1.00	RCW 88.02.560(7)	General fund
(o) Vessel visitor permit	\$30.00	RCW 88.02.610(3)	Subsection (6) of this section

(2) The five dollar dealer temporary permit fee required in subsection (1) of this section must be credited to the payment of registration fees at the time application for registration is made.

(3) The derelict vessel and invasive species removal fee required in subsection (1) of this section is five dollars and must be distributed as follows:

(a) One dollar and fifty cents must be deposited in the aquatic invasive species prevention account created in RCW 77.12.879;

(b) One dollar must be deposited into the aquatic algae control account created in RCW 43.21A.667;

(c) Fifty cents must be deposited into the aquatic invasive species enforcement account created in RCW 43.43.400; and

1 (d) Two dollars must be deposited in the derelict vessel removal
2 account created in RCW 79.100.100.

3 (4) In addition to other fees required in this section, an annual
4 derelict vessel removal surcharge of one dollar must be charged with
5 each vessel registration. The surcharge is to address the significant
6 backlog of derelict vessels accumulated in Washington waters that
7 pose a threat to the health and safety of the people and to the
8 environment and must be deposited into the derelict vessel removal
9 account created in RCW 79.100.100.

10 (5) (~~The twenty-five dollar nonresident vessel permit fee must~~
11 ~~be paid by the vessel owner to the department for the cost of~~
12 ~~providing the identification document by the department~~) (a) The
13 amount of the nonresident vessel permit fee is:

14 (i) For a vessel owned by a nonresident natural person, twenty-
15 five dollars; and

16 (ii) For a nonresident vessel owner that is not a natural person,
17 the fee is equal to:

18 (A) Fifty dollars per foot for vessels between thirty and fifty-
19 nine feet in length;

20 (B) Seventy-five dollars per foot for vessels between sixty and
21 ninety-nine feet in length; and

22 (C) One hundred twenty-five dollars per foot for vessels between
23 one hundred and one hundred twenty feet in length. The fee must be
24 multiplied by the extreme length of the vessel in feet, rounded up to
25 the nearest whole foot.

26 (b) The fee must be paid by the vessel owner to the department.
27 Any moneys remaining from the fee after the payment of costs to
28 administer the permit must be allocated to counties by the state
29 treasurer for approved boating safety programs under RCW 88.02.650.

30 (6) The thirty dollar vessel visitor permit fee must be
31 distributed as follows:

32 (a) Five dollars must be deposited in the derelict vessel removal
33 account created in RCW 79.100.100;

34 (b) The department may keep an amount to cover costs for
35 providing the vessel visitor permit;

36 (c) Any moneys remaining must be allocated to counties by the
37 state treasurer for approved boating safety programs under RCW
38 88.02.650; and

1 (d) Any fees required for licensing agents under RCW 46.17.005
2 are in addition to any other fee or tax due for the titling and
3 registration of vessels.

4 (7)(a) The fifty dollar quick title service fee must be
5 distributed as follows:

6 (i) If the fee is paid to the director, the fee must be deposited
7 to the general fund.

8 (ii) If the fee is paid to the participating county auditor or
9 other agent or subagent appointed by the director, twenty-five
10 dollars must be deposited to the general fund. The remainder must be
11 retained by the county treasurer in the same manner as other fees
12 collected by the county auditor.

13 (b) For the purposes of this subsection, "quick title" has the
14 same meaning as in RCW 88.02.540.

15 **Sec. 4.** RCW 88.02.570 and 2010 c 161 s 1018 are each amended to
16 read as follows:

17 Vessel registration is required under this chapter except for the
18 following:

19 (1) A military vessel owned by the United States government;

20 (2) A public vessel owned by the United States government, unless
21 the vessel is a type used for recreation;

22 (3) A vessel clearly identified as being:

23 (a) Owned by a state, county, or city; and

24 (b) Used primarily for governmental purposes;

25 (4) A vessel either (a) registered or numbered under the laws of
26 a country other than the United States or (b) having a valid United
27 States customs service cruising license issued pursuant to 19 C.F.R.
28 Sec. 4.94. Either vessel is exempt from registration only for the
29 first sixty days of use on Washington state waters. On or before the
30 sixty-first day of use on Washington state waters, any vessel in the
31 state under this subsection must obtain a vessel visitor permit as
32 required under RCW 88.02.610;

33 (5) A vessel that is currently registered or numbered under the
34 laws of the state of principal operation or that has been issued a
35 valid number under federal law. However, either vessel must be
36 registered in Washington state if the state of principal operation
37 changes to Washington state by the sixty-first day after the vessel
38 arrives in Washington state;

39 (6) A vessel owned by a nonresident if:

1 (a) The vessel is located upon the waters of this state
2 exclusively for repairs, alteration, or reconstruction, or any
3 testing related to these services;

4 (b) An employee of the facility providing these services is on
5 board the vessel during any testing; and

6 (c) The nonresident files an affidavit with the department of
7 revenue by the sixty-first day verifying that the vessel is located
8 upon the waters of this state for these services.

9 The nonresident shall continue to file an affidavit every sixty
10 days thereafter, as long as the vessel is located upon the waters of
11 this state exclusively for repairs, alteration, reconstruction, or
12 testing;

13 (7) A vessel equipped with propulsion machinery of less than ten
14 horsepower that:

15 (a) Is owned by the owner of a vessel for which a valid vessel
16 number has been issued;

17 (b) Displays the number of that numbered vessel followed by the
18 suffix "1" in the manner prescribed by the department; and

19 (c) Is used as a tender for direct transportation between the
20 numbered vessel and the shore and for no other purpose;

21 (8) A vessel under sixteen feet in overall length that has no
22 propulsion machinery of any type or that is not used on waters
23 subject to the jurisdiction of the United States or on the high seas
24 beyond the territorial seas for vessels owned in the United States
25 and are powered by propulsion machinery of ten or less horsepower;

26 (9) A vessel with no propulsion machinery of any type for which
27 the primary mode of propulsion is human power;

28 (10) A vessel primarily engaged in commerce that has or is
29 required to have a valid marine document as a vessel of the United
30 States. A commercial vessel that the department of revenue determines
31 has the external appearance of a vessel that would otherwise be
32 required to register under this chapter, must display decals issued
33 annually by the department of revenue that indicate the vessel's
34 exempt status;

35 (11) A vessel primarily engaged in commerce that is owned by a
36 resident of a country other than the United States;

37 (12) A vessel owned by a nonresident (~~natural~~) person brought
38 into the state for use or enjoyment while temporarily within the
39 state for not more than six months in any continuous twelve-month
40 period that (a) is currently registered or numbered under the laws of

1 the state of principal use or (b) has been issued a valid number
2 under federal law. This type of vessel is exempt from registration
3 only for the first sixty days of use on Washington state waters. On
4 or before the sixty-first day of use on Washington state waters, any
5 vessel under this subsection must obtain a nonresident vessel permit
6 as required under RCW 88.02.620;

7 (13) A vessel used in this state by a nonresident individual
8 possessing a valid use permit issued under RCW 82.08.700 or
9 82.12.700; and

10 (14) A vessel held for sale by any licensed dealer.

11 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.32
12 RCW to read as follows:

13 (1) A nonresident vessel owner that is not a natural person must
14 apply directly to the department for written approval to obtain a
15 nonresident vessel permit under RCW 88.02.620. The application must
16 be made to the department in a form and manner prescribed by the
17 department and must include:

18 (a) The name of the record owner of the vessel;

19 (b) The name, address, and telephone number of the individual
20 that applied for the permit on behalf of the nonresident person;

21 (c) The record owner's address and telephone number;

22 (d) The vessel's hull identification number;

23 (e) The vessel year, make, and model;

24 (f) The vessel length;

25 (g) The vessel's registration or numbering under the state of
26 principal operation or the valid number under federal law;

27 (h) Proof of the person's current nonresident status, including
28 certified copies of the filed articles of incorporation, a
29 certificate of formation, or similar filings;

30 (i) Proof of the identity and current residency of all principals
31 of the nonresident person. Such proof may include a valid driver's
32 license verifying out-of-state residency or a valid identification
33 card that has a photograph of the holder and is issued by an out-of-
34 state jurisdiction;

35 (j) An affidavit signed by a principal of the nonresident vessel
36 owner certifying that no Washington residents are principals of the
37 nonresident vessel owner; and

38 (k) Any other information the department may require.

1 (2) The department must determine the nonresident vessel owner's
2 eligibility for the permit, as provided in RCW 88.02.620, and may
3 request additional information as needed directly from the
4 nonresident vessel owner.

5 (3)(a) If the nonresident vessel owner appears eligible for the
6 permit, the department must provide written approval to the
7 nonresident vessel owner that authorizes issuance of the permit and
8 includes the name of the nonresident vessel owner, the name of the
9 vessel, and the hull identification number. After November 30, 2025,
10 the department may not provide written approval for any permits under
11 this subsection.

12 (b) The department must also provide the information in the
13 written approval to the department of licensing.

14 (4)(a) If, after a permit has been issued under RCW 88.02.620,
15 the department has reason to believe that the nonresident vessel
16 owner was not eligible for the permit approved under subsection (3)
17 of this section, the department may request such information from the
18 nonresident vessel owner as the department determines is necessary to
19 conduct a review of the nonresident vessel owner's eligibility.

20 (b) If the department finds the nonresident person was not
21 eligible for the permit, the department must assess against the
22 nonresident person state and local use tax on the value of the vessel
23 according to the "value of the article used" as defined in RCW
24 82.12.010. The department must also assess against the nonresident
25 person any watercraft excise tax due under chapter 82.49 RCW.
26 Penalties and interest as provided in this chapter and chapter 82.49
27 RCW apply to taxes assessed under this subsection (4).

28 (5) For purposes of this section, "principal" means a natural
29 person that owns, directly or indirectly, including through any
30 tiered ownership structure, more than a one percent interest in the
31 nonresident person applying for a nonresident vessel permit.

32 (6) The department may adopt rules to implement this section.

33 NEW SECTION. **Sec. 6.** This act takes effect January 1, 2016.

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