



Dec. 23, 2021

Mr. Atif Aziz, Rules Coordinator
Cc: Ms. Vikki Smith, Director
Cc: Mr. Gil Brewer, Senior Assistant Director of Tax Policy
Cc: Mr. Brenton Madison, Tax Policy Specialist
Washington State Department of Revenue
Executive Office
P.O. Box 47450
Olympia, WA 98504-7450
Sent Via Electronic Mail: Atifa@dor.wa.gov; BrentonM@dor.wa.gov

RE: Petition for Adjustment to portion of WAC 458-20-23801 (Watercraft Excise Tax Depreciation Schedule) covering vessels owned 14+ years & making no changes at all to value from 17 years onward

Dear Mr. Aziz, Director Smith, Mr. Brewer, and Mr. Madison:

In my role with the Recreational Boating Association of Washington (RBAW), and on behalf of the organizations signed onto this letter, I am sharing with the Department of Revenue our **formal petition for an adjustment** to the recently announced WAC 458-20-23801 (Watercraft Excise Tax Depreciation Schedule) issued by DOR.

Specifically, we urge the Department to reopen the rule-making to re-examine the portion of the Depreciation Schedule that covers sailboats, powerboats of less than 30 feet, and powerboats of 30 feet or more owned for 14 years or more, and that makes absolutely no downward adjustments in presumed value from 17 years onward -- in perpetuity.

[WAC 458-20-23801 Watercraft excise tax – Watercraft depreciation schedule](#)

In filing this petition under RCW 34.05.330 and Chapter 82-05 WAC, we are attaching a document with data assembled by the firm of BST Associates, a strategic planning group that specializes in preparing economic and financial analyses of waterfront projects. We are also attaching a statement of qualifications from BST Associates, a 35-year-old firm that has completed a wide array of boating-related projects, including market studies, rate analyses, financial analyses, and master plans.

The inclusion of the data compiled by BST Associates helps explain why the portion of the Watercraft Excise Tax Depreciation Schedule applying to older vessels is of concern and problematic for the maritime sector. Further, the data should illuminate for DOR, pursuant to RCW 34.05.330(4) “d) *Whether alternatives to the rule exist that will serve the same purpose at less cost; and (g) Whether the costs imposed by the rule are unreasonable.*”

BST Associates details in its analysis that it “reviewed Washington State Department of Licensing data for 2020 to evaluate the median purchase price by the age of the boat (ranging from 1 to 40 years of age).” The firm further detailed a very close data fit in particular for its analysis of powerboats. It indicated that for powerboats 16 to 29 feet in length, “value declined to 32% of median year-1 value at age 14 and continues to decrease to 8% at 30 years of age.”

Further, the firm noted that “For power boats (30 to 59 feet long), value declined to 39% of median year-1 value at age 14 and continues to decrease to 17% at 30 years of age.

As a comparison, DOR’s final WAC 458-20-23801 Watercraft Excise Tax Depreciation Schedule set to take effect Jan. 1, 2022, would be based on a powerboat of less than 30 feet holding 39 percent of its value at age 14 and 36 percent at 17 years of age and in perpetuity (*vis-à-vis 8 percent at 30 years of age in the BST analysis*).

Continuing the comparison, DOR’s final WAC 458-20-23801 Watercraft Excise Tax Schedule set to take effect Jan. 1, 2022, would be based on a power of 30 feet or more holding 42 percent of its value at 14 years of age, then 41 percent at age 16 and in perpetuity (*vis-à-vis 17 percent at 30 years of age in the BST analysis*).

We consider the BST data to be particularly compelling and to be reflective of the instinctive knowledge of the market our organizations conveyed to DOR. We indicated from our experience that as vessels are owned for more and more years, their values will naturally decline.

As a result, we believe there is now a formal data set to back up the concerns we expressed in writing previously when we wrote as a coalition:

“...we have serious concerns that it unfairly penalizes owners of these older vessels. In the depreciation schedule that has been in place since July 2010, these vessels are assumed to hold 26 percent of their purchase-price value and are taxed accordingly. In the proposed schedule sent out last July, that 26 percent would jump to 39 percent for a powerboat less than 30 feet long, to 42 percent for a powerboat 30 feet or longer, and to 44 percent for a sailboat. Compounding that steep increase in value and therefore taxation, the vessels would be presumed to keep the 39/42/44 percent of purchase-price value forevermore!

We see no basis for such assumptions and for such an extreme spike up in assumed purchase-price values for older vessels. Vessels that have been in the water for a decade and a half or longer are physically impacted by the marine environment in which they operate. In most case we are aware of, their purchase-price value does *not* stay constant over time. And, carrying out the logic of this depreciation schedule, a vessel 20 or 30 or 40 years old would have the same purchase-price value as the vessel that is 14 years old.”

We respectfully urge DOR to reopen the WAC 458-20-23801 rulemaking so that the Watercraft Excise Tax Depreciation Schedule for older vessels can more accurately reflect a natural decline in value as they age. We say that as a group of organizations that praised the DOR for its work in revising the Depreciation Schedule values for newer vessels, particularly Years 1-10.

If the Department’s ultimate goal is to “get it right” with respect to a Watercraft Excise Tax Depreciation Schedule that reflects the realities of the market, then it makes complete sense for DOR to reopen this rule and work with the sector on revising estimated values for older vessels.

We thank you in advance and sincerely hope DOR will give positive consideration to our request.

Sincerely,

Recreational Boating Assoc. of Washington (RBAW)
Bob Wise, President

NW Marine Trade Association (NMTA)
George Harris, CEO

Washington Retail Association
Renée Sunde, President/CEO

Washington Maritime Federation
Peter Schrappen, Board President

Marine Retailers Association of the Americas
Chad Tokowicz, Government Relations Manager

BoatUS
David Kennedy, Government Affairs Manager

Northwest Yacht Brokers Association (NYBA)
Paul Groesbeck, Board President
Kevin Blake, Treasurer

National Marine Manufacturers Association
David Dickerson, Vice President of
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Robinson Law Firm, PLLC
Fred Robinson, Managing Director