

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Purchase and Installation of Fixtures and Equipment on a Vessel Owned by Another

Does the sales tax exemption of RCW 82.08.0262 apply to the purchase and installation of fixtures and equipment on a vessel owned by another where the purchaser of such fixtures and equipment retained the right to remove them at the termination of his concession agreement with the vessel's owner?

For example, assume a taxpayer operates a restaurant concession on a vessel during its passenger operation between points in this state to points in Canada. Under its contract with the owner of the vessel, the taxpayer is required to provide and install its own fixtures and equipment, retaining the right to remove them at the termination of the agreement.

RCW 82.08.0262 provides an exemption from retail sales tax for "sales of tangible personal property which becomes a component part of such . . . watercraft . . .". RCW 82.12.0254 provides a similar exemption from use tax. RCW 82.08.0262 and 82.12.0254 are not limited to purchases and uses by the owner of the vessel. WAC 458-20-175 defines the term "component part" to include ". . . all tangible personal property which is attached to and a part of carrier property. .

The purchase and use of the restaurant fixtures and equipment installed on the vessel are exempt from the retail sales tax and the use tax (while so used) despite the fact that the fixtures were not owned by the owner of the vessel and were subject to removal at the termination of the agreement. However, upon removal of the fixtures, the taxpayer will be subject to use tax because the exemption in RCW 82.12.0254 will no longer apply.

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