Members of the House Transportation Committee
260 John L. O'Brien Building
Olympia, WA 98504

Senator Marko Liias
Senator Curtis King
312 John A. Cherberg Building
Olympia, WA 98504

Speaker Laurie Jinkins
Speaker of the House
339C Legislative Building
Olympia, WA 98504

April 1, 2025

Dear Legislative Leaders:

The undersigned coalition members, representing the recreational boating industry and the $8 billion in yearly commerce and proceeds to Washington State are writing to express strong opposition to the proposed luxury tax on high-valued vessels in Washington State. The historical, economic, and social implications of such a tax are alarming and outweigh the assumed revenue.

Looking back at the U.S. experience with a luxury tax on yachts in 1991, we see a stark warning. The 10% tax imposed led to a staggering 77% drop in yacht sales within just one year. This dramatic decline resulted in the loss of over 25,000 jobs across the boat manufacturing, maintenance, and marina industries as businesses struggled to cope with the decreased demand. The tax was ultimately repealed in 1993, as the economic damage became too pronounced to ignore.

Similarly, Canada's recent luxury tax on boats, which began in September 2022, has also proven detrimental. Boating BC surveyed dealers and manufacturers regarding the impacts resulting from the federal government's luxury tax. The yearlong survey shows a loss of more than $211 million (CAD) and an approximately 85% decrease in new boat sales. The impact felt more broadly than the luxury market as brokers and dealers choose not to order new boats because this dark cloud has a distinct and depressing impact on boat purchases at any price. All of this has resulted in job losses not only within the boating industry but extending to tourism, boatyards, small business owners, skilled trade-workers, and already struggling marinas. The expected tax revenue has fallen short of projections due to market shifts and decreased sales, echoing what we experienced in the U.S. in 1991.

Luxury taxes fail to deliver on revenue expectations. Wealthy buyers have numerous means to circumvent these taxes, such as registering their vessels in tax-friendly locations like Oregon, Idaho or Alaska. When the U.S. government anticipated collecting $31 million from the 1991 yacht tax, it only managed to raise $16 million—while taxpayer funds were further drained by unemployment benefits exceeding $24 million for displaced workers. This pattern of underperformance is a consistent thread in luxury tax legislation, including Canada's projected annual revenue, which is significantly lower than anticipated.

Moreover, these proposed taxes place an undue burden on middle-class workers and small businesses in our state. Jobs in boat manufacturing, repair, and marina operations would be at risk, as demand falls, and fewer vessels are purchased and docked locally. Coastal economies reliant on boating-related tourism—such as restaurants, charter operations, and rental services—would suffer significant downturns. Furthermore, any news about a tax on boats, irrespective of their value, negatively affects boat sales. This is due to the unclear perception among consumers that buying a boat carries a substantial tax burden.

Of significant note is the fact that because we did not engage with Tim Eyman in 1999 to promote or fund his $30 dollar car tabs/registration fee initiative, he removed us from the proposal, and we remain the only asset subject to the annual value-based excise tax. As a result of this current tax, applied solely to boats, we contribute approximately *$16 million* annually. That burden feels much like a luxury tax on boats even prior to this failed proposal which assumes an exaggerated and *additional $13 million* from a stagnant industry.

Consider Florida's 2010 approach, which capped boat sales tax at $18,000. This decision not only prevented buyers from taking their business to neighboring tax-free states but also stimulated yacht sales and job creation within the local economy. As we examine the sensitive nature of the boating industry, a small tax hike could lead to drastic reductions in demand, compounding the already challenging economic landscape for our community.

Finally, it is crucial to note the precedents set by repealed luxury taxes. The failures in the U.S., Italy, and Spain are testament to the fleeting nature of targeted taxation on luxury goods. Each instance resulted not only in economic harm but also in the realization that such taxes do not yield lasting financial benefits.

In closing, we urge you to oppose the Senate's luxury tax on high-valued boats. It would disproportionately harm our state's job market and small businesses while offering minimal impact on the wealthy buyers, the tax targets. We should seek economic solutions that promote growth and stability for all Washingtonians rather than risk repeating the damaging mistakes of the past.

Thank you for considering our perspective on this important matter. We hope our legislative leaders will prioritize the well-being of our local workforce and small businesses in these discussions.

Sincerely,

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