

Vessel Deconstruction

JLARC Staff 2017 Tax Preference Performance Evaluation

Sales and Use Tax Preference

Objectives (stated)

Decrease the number of abandoned and derelict vessels by lowering deconstruction costs and encouraging investment in deconstruction facilities.

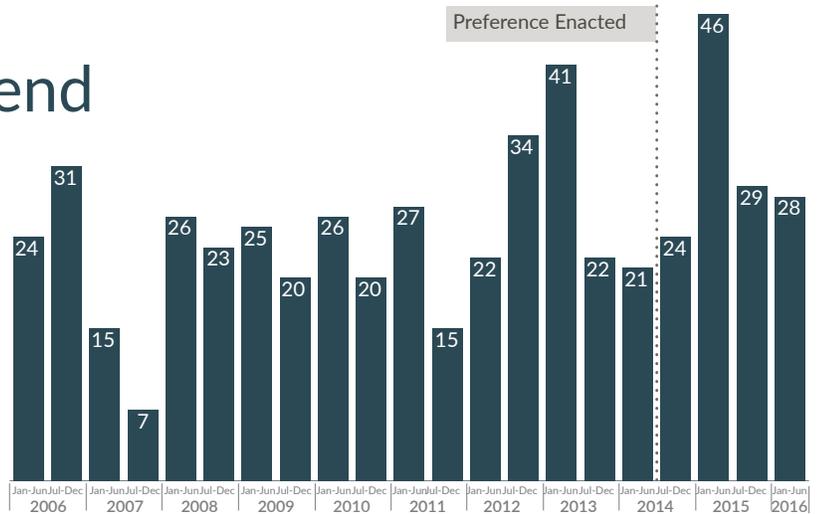
Results

Mixed. Deconstruction costs have decreased but no evidence of increased investment in deconstruction facilities or capacity. Not all vessel removals involve deconstruction.

Vessel removals have varied with no clear trend

Average removals have increased slightly, but no clear trend identified – removals vary by year and season.

Deconstruction costs decreased by amount of sales/use tax.



Source: JLARC staff analysis of Department of Natural Resources Derelict Vessel Removal Program data, July 2005 through July 2016.

Other factors may impact removals as much or more so than reduced deconstruction costs:

- Available funds for deconstruction and removal
- Cost of removal
- Vessel size and condition

No growth in vessel deconstruction work or capacity

Not all vessel removals require deconstruction.

DNR staff and industry representatives have not seen an increase in deconstruction activities or available capacity to perform the work.

Legislative Auditor recommendation: Review & Clarify

Consider adopting a metric other than number of vessels removed. If the intent is to lower costs, the Legislature should consider re-categorizing the preference as one intended to provide tax relief rather than one intended to induce a certain behavior.

The complete report is on the JLARC web site.

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